UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLUMBIA

FILED AND ENTERED
MAY 30 2003
Denise H. Curtis, Clerk
U.S. Bankruptcy Court for D.C.

In re:	:	
GREATER SOUTHEAST COMMUNITY HOSPITAL CORPORATION I, et al.,	:	**Case No. 02- 2250 (SMT) Jointly Administered (Chapter 11)**
Debtors.	:	

ORDER GRANTING AUTHORITY TO SELL SUBSTANTIALLY ALL ASSETS OF PINE GROVE HOSPITAL CORPORATION FREE AND CLEAR OF ALL LIENS, INTERESTS, CLAIMS AND ENCUMBRANCES

At Washington, D.C., May 30, 2003.

This matter came before me on the April 18, 2003 *Motion for (a) Approval of Sale Procedures and (b) Authority to Sell Substantially all Assets of Pine Grove Hospital Corporation Free and Clear of All Liens, Interests, Claims and Encumbrances* (the "Motion") of Pine Grove Hospital Corporation ("Pine Grove") and certain of its affiliated debtors,[1] as debtors and debtors in possession (collectively, with Pine Grove, the "Debtors"). The Motion requested that I approve the Sale Procedures (as defined in the Motion) and authorize the sale of the Pine Grove assets as provided in the Motion. The Sale Procedures have been authorized by a separate order entered on May 7, 2003 (the "Sale Procedures Order"). This Order addresses the sale of the Pine Grove assets.

[1] The affiliated debtors are PACIN-Hadley Memorial Hospital Corporation of Washington, D.C. ("Hadley"), Michael Reese Medical Center Corporation of Chicago, Illinois ("Michael Reese"), Pacifica Hospital of the Valley Corporation of Sun Valley, California ("Pacifica"), Greater Southeast Community Hospital Corporation I of Washington, D.C. ("Greater Southeast") and their ultimate parent corporation, Doctors Community Hospital Corporation ("DCHC").

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The Court, having considered the Motion, the circumstances of this case, the arguments of counsel and the record established at the hearing on May 30, 2003 (the "Sale Hearing"), and the Purchase Agreement (as hereinafter defined) hereby **FINDS** as follows:

1. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §1334. Consideration of this matter is a core proceeding pursuant to 28 U.S.C. §157(b). Venue of this proceeding is proper before this Court pursuant to 28 U.S.C. §§1408 and 1409.

2. In light of the Debtors' current condition, including the loss of the LPS Designation (as defined in the Motion) for Pine Grove and the continuing operational losses associated with the Pine Grove assets, the sale of the Pine Grove assets pursuant to sections 363, 365 and 1146 of the Bankruptcy Code and rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure, and in compliance with the Sale Procedures Order, is in the best interests of the Debtors' estates.

3. The requirements for a sale of substantially all the assets of Pine Grove pursuant to section 363 of the Bankruptcy Code are satisfied.

a. The sale of the Pine Grove assets is supported by the sound business judgment of the Debtors' management.

b. The Debtors have provided reasonable and adequate notice of the sale to interested parties.

c. The sale price of $6,950,000 (the "Sale Price"), achieved through compliance with the Sale Procedures, is fair and reasonable, and the Debtors are receiving reasonably equivalent fair value for the assets.

d. The process of the selection of the Stalking Horse Bidder (as defined in the Motion) and the competitive bidding process culminating in the auction were conducted in a manner consistent with the requirements of good faith on the part of the Debtors. Sharon

Evenhaim (the "Successful Bidder") is a good faith purchaser as that term is used in section 363(m) of the Bankruptcy Code and is entitled to the protections thereof.

4. The requirements of section 363(f) of the Bankruptcy Code are satisfied, in that any party holding an Encumbrance (as defined in the Motion) has consented to the sale of the Pine Grove assets free and clear of such Encumbrance, or could be compelled to accept a money satisfaction of such Encumbrance.

5. The Successful Bidder is acquiring only the real property, buildings and fixtures of Pine Grove as set forth in the agreement attached as Exhibit A (the "Purchase Agreement"). The legal description of the real property (the "Real Property") is set forth on the attached Exhibit B.

6. The Successful Bidder is not acquiring any personal property of Pine Grove or having assigned to him any executory contract or lease of Pine Grove. Pine Grove has ninety days from the closing of the transaction to remove or otherwise dispose of any personal property from the Real Property premises pursuant to the terms of the Purchase Agreement.

7. The sale of the Pine Grove assets will put an end to continuing losses associated with those assets, enhance the Debtors' liquidity, and thereby increase the ability of the Debtors to formulate and propose a plan of reorganization. Accordingly, there is an argument that it is appropriate that the provisions of section 1146(c) of the Bankruptcy Code be applied to the sale and the sale should not be taxed under any law imposing a stamp or similar tax.

8. Under the circumstances of this case, due and proper notice of the Motion was given and no other or further notice is required.

9. Because the Successful Bidder is not the Stalking Horse Bidder, the Stalking Horse Bidder (Ted Stein) is entitled to be paid the Topping Fee upon closing with the Successful Bidder.

10. The Stalking Horse Bidder was the second highest bidder at the auction with a bid of $6,900,000, subject to a credit for the Topping Fee (the "Second Highest Bid"). If for any reason, the Successful Bidder is unable to close in accordance with the Purchase Agreement, it is in the best interest of these estates for the assets to be conveyed to the Stalking Horse Bidder in accordance with the terms and conditions of this Order for the amount of the Second Highest Bid.

Accordingly, it is hereby **ORDERED**:

A. Any objections to the sale of the Pine Grove assets to the Successful Bidder pursuant to the Purchase Agreement, to the extent not previously withdrawn, are hereby overruled.

B. The sale of the Pine Grove assets to the Successful Bidder pursuant to the Purchase Agreement shall be and hereby is approved on the terms and conditions set forth in the Purchase Agreement, the terms and conditions of which are approved in all respects.

C. Pursuant to section 363(f) of the Bankruptcy Code, the assets conveyed by the Purchase Agreement shall be transferred to the Successful Bidder free and clear of any Encumbrances, with any such Encumbrances to attach to the proceeds of the sale in the order of their priority, with the same validity, force and effect which they now have against the assets conveyed by the Purchase Agreement. These proceeds shall be applied by the Debtors in accordance with this Court's May 8, 2003 Final Order (1) Authorizing Debtors To Obtain Secured Postpetition Financing, (2) Granting Liens And Superpriority Claims Pursuant To 11 U.S.C. § § 363 And 364, (3) Granting Adequate Protection, And (4) Modifying Automatic Stay.

D. The Purchase Agreement and the transfer of the assets thereunder is not subject to taxation under any state or local law imposing a stamp, transfer or similar tax, to the extent that 11 U.S.C. §1146(c) is determined to apply. (H.T.)

E. This Order shall become effective and enforceable immediately upon entry, and the ten day stay of rules 6004(g) and 6006(d) of the Federal Rules of Bankruptcy Procedure is hereby waived.

F. This Court retains jurisdiction (i) to enforce and implement the terms and provisions of the Purchase Agreement, all amendments thereto, any waivers and consents thereunder, and of each of the agreements executed therewith, (ii) to resolve any disputes arising under or related to the sale of the Pine Grove assets pursuant to the Purchase Agreement, and (iii) to interpret, implement and enforce the provisions of this Order.

G. All attached exhibits are incorporated into this Order by reference.

H. Upon closing with the Successful Bidder, the Stalking Horse Bidder shall be paid the Topping Fee of $150,000.

I. If the Successful Bidder should fail to close, the assets to be conveyed pursuant to the Purchase shall be conveyed to the Stalking Horse Bidder in exchange for the Second Highest Bid, and the Stalking Horse Bidder shall, for all purposes, be deemed the Successful Bidder under the is Order; provided that in this circumstance, paragraph H above shall be deemed stricken.

Dated: Washington, DC
May 30, 2003

S. Martin Teel, Jr.
United States Bankruptcy Judge

CC:

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COPIES MAILED TO THE ABOVE NAMED
THIS 30 DAY OF May, 2003
Sally Myers
DEPUTY CLERK

EXHIBIT A
TO
ORDER GRANTING AUTHORITY TO SELL SUBSTANTIALLY ALL ASSETS OF PINE GROVE HOSPITAL CORPORATION FREE AND CLEAR OF ALL LIENS, INTERESTS, CLAIMS AND ENCUMBRANCES

CONFIDENTIAL

REAL ESTATE PURCHASE CONTRACT

This Real Estate Purchase Contract (this "**Contract**") is entered into as of the 27th day of May, 2003 (the "**Execution Date**") by and between PINE GROVE HOSPITAL CORPORATION, a Delaware corporation having an address at 7011 Shoup Avenue, Canoga Park, California ("**Seller**"), and Sharon Evenhaim having an address at 8211 Remmet Street, Canoga Park , California 91304 ("**Purchaser**").

RECITALS:

A. On November 20, 2002 (the "**Petition Date**"), Seller commenced a voluntary case for reorganization (the "**Bankruptcy Case**") under Chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101-1330 (the "**Bankruptcy Code**"), in the United States Bankruptcy Court for the District of Columbia (the "**Bankruptcy Court**").

B. Seller desires to sell and Purchaser desires to purchase from Seller certain real property on the terms and subject to the conditions set forth herein.

In consideration of the representations and covenants set forth herein, Purchaser and Seller hereby agree as follows:

1. Purchase and Sale. Seller agrees to sell to Purchaser, and Purchaser agrees to buy from Seller, in accordance with the terms, conditions and stipulations set forth in this Contract, all of Seller's right, title and interest in and to (i) that certain parcel of real property located at 7011 Shoup Avenue, Canoga Park, California, as more particularly described in Exhibit A, and any and all buildings, structures, fixtures and other improvements affixed or located thereon and rights and appurtenances pertaining thereto (the "**Real Property**"), (ii) all plans and specifications; engineering plans and studies; floor plans and landscape plans pertaining to the Real Property in Seller's possession, (iii) all mineral, oil and gas rights, water rights, sewer rights and other utility rights allocated to the Real Property, (iv) all appurtenances, easements, licenses, privileges and other property interests belonging or appurtenant to the Real Property, and (v) all right, title and interest of Seller in and to any roads, streets and ways, public and private, serving the Real Property (including, without limitation, all rights to develop the land granted by governmental entities having jurisdiction over said land) (all of the foregoing items in (i)-(v) above, collectively, the "**Property**").

2. Payment of Purchase Price. The total purchase price (the "**Purchase Price**") to be paid to Seller by Purchaser for the Property is: (i) $6,950,000.00 (Five Million Three-Hundred Thousand Dollars). Upon execution of this Contract, Purchaser shall deposit with Chicago Title Insurance Company (the "**Earnest Money Escrow Agent**") an amount equal to ten percent (10%) (that is, $695,000.00) in immediately available funds. Such deposit shall be held by the Earnest Money Escrow Agent in an interest-bearing account reasonably acceptable to Seller and Purchaser in accordance with the terms, and conditions of an escrow agreement in the form attached hereto as Exhibit F. Said sum together with any interest earned thereon or any additions made thereto shall be referred to herein as the "**Deposit**." At the time of closing of this

transaction (the "**Closing**"), the Deposit shall be applied toward the Purchase Price. At Closing, Purchaser shall remit the remainder of the Purchase Price by wire transfer of immediately available funds to the Earnest Money Escrow Agent for the account of Seller. In addition, at Closing, Purchaser shall reimburse Seller for any costs incurred by Seller in connection with an updated Phase I environmental site assessment of the Property completed in April 2003 delivered to Purchaser by Seller (the "**2003 Phase I**").

3. **Title and Survey**. On or prior to the date hereof, Seller has delivered to Purchaser a title insurance commitment (the "**Title Binder**") from Chicago Title Insurance Co, 711 Third Avenue, New York, New York 10017 (Attn: Robert Simins) (the "**Title Company**") and a current ALTA Survey of the Property, as each are more particularly described on Exhibit B. Purchaser has approved the state of title to the Property and all matters, other than exceptions 2, 3, 4 and 5 of Schedule B to the Title Binder, disclosed in the Title Binder and Survey (the "**Permitted Encumbrances**"). At Closing, Purchaser shall obtain an ALTA Extended owner's policy of title insurance policy from the Title Company insuring Purchaser's fee estate in the Property, showing no exceptions other than the Permitted Encumbrances and containing the endorsements reasonably requested by Purchaser (the "**Title Policy**") and shall pay all premiums and costs and expenses in connection therewith. The Title Company's commitment to issue the Title Policy at Closing shall be a condition to Closing.

4. **Condition of Property**.

A. The Property is being sold in "AS IS" condition without any representations and warranties of Seller whatsoever other than as specified in Section 11. Seller shall deliver the Property at Closing in materially the same condition as existed on the Execution Date, ordinary wear and tear excepted.

B. Purchaser hereby releases Seller from and waives all claims, demands, actions, and causes of action that Purchaser might otherwise have the right to bring against Seller and its estate for damages, losses, or expenses or injuries arising out of the condition of the Property, including, but not limited to claims, demands, actions, and causes of action for damages, losses, expenses or injuries arising out of preexisting environmental conditions.

C. Seller shall have the right but not the obligation to remove from the Real Property all equipment, inventory and other personal property of Seller which does not constitute Property ("**Excluded Property**"). To the extent such Excluded Property reasonably cannot be removed prior to the Closing, Purchaser hereby grants Seller limited license to enter the Property, upon not less than one (1) business day's prior written notice to Purchaser and at times and locations mutually agreed upon between Seller and Purchaser, to remove the Excluded Property within a reasonable time after Closing, but in no event later than 90 days after Closing.

5. **Defects in Title**. Seller shall convey title to the Property by grant deed. Title shall be subject to all matters that are disclosed in the Title Binder and the ATLA Survey.

6. **Closing**. The Closing shall take place at the offices of Earnest Money Escrow Agent at the address set forth in Section 17, beginning at 10:00 a.m., local time, on the fifth (5^{th})

business day after the date on which the Sale Order (as defined below) is entered and following the satisfaction or waiver of all conditions or obligations of the parties hereto to consummate the transactions set forth herein (other than conditions with respect to actions to be taken by the parties hereto at the Closing), or at such other location or on such other date as may be mutually agreed upon by the parties hereto or as ordered by the Bankruptcy Court.

7. **Prorations and Adjustments at Closing**. Ad valorem and similar taxes assessed against the Property shall be prorated between Seller and Purchaser at the time of Closing on the basis of a 365-day year, with the Purchaser liable for ad valorem and similar taxes assessed against the Property for the period from and after the day of Closing. Any then-due but unpaid special assessments, special improvement district or taxing district levies, shall be prorated in the same manner as ad valorem taxes. Seller and Purchaser shall also prorate at the time of Closing all utility charges and any other operating expenses or other items pertaining to the Property that are customarily prorated between sellers and purchasers in California commercial real property sales. There shall be no charge to Purchaser for supplies on hand, if any, relating to the operation and maintenance of the Property, all of which shall be transferred to Purchaser. The foregoing obligations shall survive the Closing.

8. **Transaction Costs**. Seller shall be responsible for the cost of preparing the deed. At Closing, Purchaser shall reimburse Seller for the cost of the Title Binder and the Survey. Purchaser shall pay the cost of conducting its due diligence studies, the Title Policy, the state and local recording taxes, recording fees, the escrow charges imposed by the Earnest Money Escrow Agent, and transfer taxes required to be paid. Each party shall pay its own attorneys', brokers' and consultants' fees.

9. **Grant Deed and Other Documents Required for Closing**.

A. At the Closing, Seller shall deliver the following:

(i) A grant deed, conveying fee simple title to the Property, in the form annexed hereto as Exhibit C;

(ii) Such documents evidencing the legal status, good standing and authority of Seller and any other documents that may be required by the Title Company from Seller for issuance of the Title Policy;

(iii) An affidavit duly executed by Seller stating that Seller is not a "foreign person" as defined in the Federal Foreign Investment in Real Property Tax Act of 1980 and 1984 Tax Reform Act, in the form annexed hereto as Exhibit D;

(iv) A California Form 593-W, properly completed and executed by Seller, the form of which is attached hereto as Exhibit D-1;

(v) A true and correct, certified copy of the order of the Bankruptcy Court approving the sale of the Property to Purchaser, which order must be substantially in the form of the "Order Granting Authority to Sell Substantially All Assets of Pine Grove Hospital Corporation Free and Clear of All Liens, Interests, Claims and Encumbrances" attached to the

"Motion for Orders (A) Approving Sale Procedures and (B) Authorizing Sale of Substantially all Assets of Pine Grove Hospital Corporation Free and Clear of All Liens, Interests, Claims and Encumbrances," attached hereto as Exhibit G with such changes as are reasonably acceptable to Purchaser and Seller (the "**Sale Order**");

(vi) Such additional documents as shall be reasonably required to consummate the sale and transfer of the Property contemplated by this Contract; and

(vii) A closing statement.

B. At the Closing, Purchaser shall deliver the following:

(i) The Purchase Price, less the Deposit, in cash or immediately available funds;

(ii) Such documents evidencing the legal status, good standing and authority of Purchaser and any other documents that may be required by the Title Company from Purchaser for issuance of the Title Policy;

(iii) Such additional documents as shall be reasonably required to consummate the sale and transfer of the Property contemplated by this Contract; and

(iv) A closing statement.

10. Possession. Possession of the Property, free and clear of all tenants or other parties in possession (including, without limitation, all of Seller's employees, agents, contractors, representatives, clients and patients), shall be delivered to Purchaser on the day of Closing.

11. Representations and Warranties.

A. Seller represents and warrants the following to Purchaser as of the Closing:

(i) Subject to Section 28 herein: (a) Seller has the full right, power and authority to sell and convey the Property to Purchaser as provided in this Contract and to carry out Seller's obligations hereunder; (b) all requisite corporate or other actions necessary to authorize Seller to enter into this Contract and to perform its obligations thereunder have been taken; and (c) the execution, delivery and performance by Seller of this Contract will not conflict with or cause a default under any other agreement.

(ii) Seller is duly organized, validly existing and in good standing in the State of Delaware.

(iii) Subject to Section 28 herein, the person executing this Contract on behalf of Seller is duly empowered to do so and thus to bind Seller to perform in compliance with the Contract.

(iv) Seller has terminated its operations at the Property and there are (a) no tenants at the Property or (b) no other persons in possession of the Property in any capacity.

Notwithstanding the foregoing or any other provision of this Contract, in the event that Purchaser has actual knowledge of such facts or disclosure of circumstances that are at variance with any of Seller's representations or warranties, and if Purchaser thereafter consummates Closing, Purchaser shall be deemed to have accepted such variant facts and circumstances and Seller's representations and warranties shall be deemed excised or modified to comport with such variant facts and circumstances.

B. Purchaser represents and warrants to Seller, as a material condition to Seller's obligations pursuant to this Contract, that, as of the date of Closing, (i) Purchaser has the full right, power and authority to purchase the Property as provided in this Contract and to carry out Purchaser's obligations hereunder; (ii) all requisite actions necessary to authorize Purchaser to enter into this Contract and to perform its obligations thereunder have been taken; and (iii) the execution, delivery and performance by Purchaser of this Contract will not conflict with or cause a default under any other agreement.

C. **Termination.** This Contract may be terminated at any time prior to the Closing:

(i) By the mutual written consent of Seller and Purchaser;

(ii) By Seller (if Seller is not then in material breach of any term of this Contract), if Purchaser shall (i) fail to perform in any material respect its agreements contained herein required to be performed on or prior to the Closing; or (ii) materially breach any of its representations or warranties contained herein, which failure or breach is not cured within ten (10) days after Seller has notified Purchaser of its intent to terminate this Contract pursuant to this subparagraph;

(iii) By Purchaser (if Purchaser is not then in material breach of any term of this Contract), if Seller shall (i) fail to perform in any material respect its agreements contained herein required to be performed on or prior to the Closing; or (ii) materially breach any of its representations or warranties contained herein, which failure or breach is not cured within ten (10) days after Purchaser has notified Seller of its intent to terminate this Contract pursuant to this subparagraph;

(iv) By either Seller or Purchaser, if the Closing has not occurred by noon on June 30, 2003 for any reason other than delay or nonperformance of the party seeking such termination; and

(v) Automatically, upon Seller's acceptance of an alternative bid in accordance with the bid procedures approved in the Sale Procedure Order (as defined below).

If this Contract is terminated for any reason other than (a) the reason described in clause (ii) of this Section 11.C or (b) the reason described in clause (iv) of this Section 11.C because of a final

order, writ, injunction or decree of any federal, state, local, foreign or other governmental or quasi-governmental authority, or any department, agency, subdivision, court or other tribunal of any of the foregoing prohibiting Purchaser from consummating the transactions described herein (either of the foregoing reasons, a "**Purchaser Problem**"), then Seller and Purchaser shall promptly direct the Earnest Money Escrow Agent to deliver the Deposit to Purchaser and, upon such delivery of the Deposit to Purchaser, neither party shall have any further obligation to the other hereunder. If this Contract is terminated as the result of a Purchaser Problem, then Seller and Purchaser shall promptly direct the Earnest Money Escrow Agent to deliver the Deposit to Seller and, upon such delivery of the Deposit to Seller, neither party shall have any further obligation to the other hereunder. This paragraph shall survive the termination of this Contract.

12. No Representations.

A. PURCHASER ACKNOWLEDGES AND AGREES THAT SELLER HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS, WARRANTIES (OTHER THAN AS EXPRESSLY SET FORTH IN THIS CONTRACT AND IN THE SPECIAL WARRANTY OF TITLE AS SET OUT IN THE DEED), PROMISES, COVENANTS, AGREEMENTS, OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT, OR FUTURE, OF, AS TO, CONCERNING OR WITH RESPECT TO (A) THE VALUE, NATURE, QUALITY, OR CONDITION OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, THE WATER, SOIL, AND GEOLOGY, (B) THE INCOME TO BE DERIVED FROM THE PROPERTY, (C) THE SUITABILITY OF THE PROPERTY FOR ANY AND ALL ACTIVITIES AND USES THAT PURCHASER OR ANY TENANT MAY CONDUCT THEREON, (D) THE COMPLIANCE OF OR BY THE PROPERTY OR ITS OPERATION WITH ANY LAWS, RULES, ORDINANCES; OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY, (E) THE HABITABILITY, MERCHANTABILITY, MARKETABILITY, PROFITABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY, (F) THE MANNER OR QUALITY OF THE CONSTRUCTION OR MATERIALS, IF ANY, INCORPORATED INTO THE PROPERTY, (G) THE MANNER, QUALITY, STATE OF REPAIR, OR LACK OF REPAIR OF THE PROPERTY, (H) COMPLIANCE WITH ANY ENVIRONMENTAL PROTECTION, POLLUTION, OR LAND USE LAWS, RULES, REGULATIONS, ORDERS, OR REQUIREMENTS, (I) THE EXISTENCE, NOW OR FORMERLY AT, IN OR UNDER THE PROPERTY OF HAZARDOUS MATERIALS, OR (J) ANY OTHER MATTER WITH RESPECT TO THE PROPERTY. ADDITIONALLY, NO PERSON ACTING ON BEHALF OF SELLER IS AUTHORIZED TO MAKE, AND BY EXECUTION HEREOF PURCHASER ACKNOWLEDGES THAT NO PERSON HAS MADE, ANY REPRESENTATION, AGREEMENT, STATEMENT, WARRANTY, GUARANTY, OR PROMISE REGARDING THE PROPERTY OR THE TRANSACTION CONTEMPLATED HEREIN; AND NO SUCH REPRESENTATION, WARRANTY, AGREEMENT, GUARANTY, STATEMENT, OR PROMISE IF ANY, MADE BY ANY PERSON ACTING ON BEHALF OF SELLER SHALL BE VALID OR BINDING UPON SELLER UNLESS EXPRESSLY SET FORTH HEREIN. PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT HAVING BEEN GIVEN THE OPPORTUNITY TO INSPECT THE PROPERTY, PURCHASER IS RELYING ON ITS OWN INVESTIGATION OF THE PROPERTY AND AGREES TO ACCEPT THE PROPERTY AT THE CLOSING AND WAIVE ALL OBJECTIONS OR CLAIMS AGAINST SELLER (INCLUDING, BUT NOT LIMITED TO, ANY RIGHT OR CLAIM OR CONTRIBUTION) ARISING FROM OR RELATED TO THE PROPERTY OR ANY HAZARDOUS MATERIALS NOW OR FORMERLY AT, IN OR UNDER THE PROPERTY. PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT ANY INFORMATION PROVIDED OR TO BE PROVIDED WITH RESPECT TO THE PROPERTY WAS OBTAINED FROM A VARIETY OF SOURCES AND THAT SELLER MAKES NO REPRESENTATIONS AS TO THE ACCURACY, TRUTHFULNESS, OR COMPLETENESS OF SUCH

INFORMATION. SELLER IS NOT LIABLE OR BOUND IN ANY MANNER BY ANY ORAL OR WRITTEN STATEMENT, REPRESENTATION, OR INFORMATION PERTAINING TO THE PROPERTY, OR THE OPERATION THEREOF, FURNISHED BY ANY REAL ESTATE BROKER, CONTRACTOR, AGENT, EMPLOYEE, SERVANT, OR OTHER PERSON. PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE SALE OF THE PROPERTY AS PROVIDED FOR HEREIN IS MADE ON AN "AS IS" AND "WHERE IS" CONDITION AND BASIS WITH ALL FAULTS.

B. PURCHASER HEREBY AGREES TO INDEMNIFY, PROTECT, DEFEND, SAVE, AND HOLD HARMLESS SELLER AND ITS AFFILIATES, AND THEIR RESPECTIVE EMPLOYEES, AGENTS, REPRESENTATIVES, AND THIRD PARTY CONSULTANTS AND PROFESSIONALS (OTHER THAN ANY TITLE COMPANIES, ENGINEERS, ENVIRONMENTAL CONSULTANTS, PLANNERS, GEOLOGICAL TECHNICIANS, SURVEYORS, ARCHITECTS AND SIMILAR PROFESSIONALS) FROM AND AGAINST ANY AND ALL DEBTS, DUTIES, OBLIGATIONS, LIABILITIES, SUITS, CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, LOSSES, FEES, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES, AND EXPENSES AND COURT COSTS) [(ANY OF THE FOREGOING, A "CLAIM")] IN ANY WAY RELATING TO, OR IN CONNECTION WITH OR ARISING ON OR AFTER CLOSING OUT OF PURCHASER'S ACQUISITION, OWNERSHIP, LEASING, USE, OPERATION, MAINTENANCE, AND MANAGEMENT OF THE PROPERTY. PURCHASER ALSO HEREBY RELEASES SELLER AND ITS AFFILIATES, AND THEIR RESPECTIVE EMPLOYEES, AGENTS, REPRESENTATIVES, AND THIRD PARTY CONSULTANTS AND PROFESSIONALS (OTHER THAN ANY TITLE COMPANIES, ENGINEERS, ENVIRONMENTAL CONSULTANTS, PLANNERS, GEOLOGICAL TECHNICIANS, SURVEYORS, ARCHITECTS AND SIMILAR PROFESSIONALS) FROM ANY AND ALL CLAIMS, LOSSES, DAMAGES, ACTIONS OR CAUSES OF ACTION IN ANY WAY ARISING FROM OR RELATING TO, OR IN CONNECTION WITH THE USE OR OCCUPANCY OF THE PROPERTY WHICH HAVE ARISEN PRIOR TO THE DATE HEREOF.

C. THE PROVISIONS OF THIS SECTION 12 SHALL SURVIVE CLOSING OR ANY TERMINATION HEREOF.

13. Risk of Loss.

A. If, prior to the Closing, action is initiated to take any of the Property by eminent domain proceedings or by deed in lieu thereof, Purchaser may either at or prior to Closing (a) terminate this Contract, or (b) consummate the Closing, in which latter event all of Seller's assignable right, title and interest in and to the award of the condemning authority shall be assigned to Purchaser at the Closing and there shall be no reduction in the Purchase Price.

B. Seller assumes all risks and liability for damage to or injury occurring to the Property by fire, storm, accident, or any other casualty or cause until the Closing has been consummated. If the Property, or any part thereof, suffers any damage in excess of $1,000,000 prior to the Closing from fire or other casualty, which Seller, at its sole option, does not elect to repair, Purchaser may either at or prior to Closing (a) terminate this Contract, or (b) consummate the Closing, in which latter event all of Seller's right, title and interest in and to the proceeds of any insurance covering such damage (less an amount equal to any expense and costs incurred by Seller to repair or restore the Property and any portion paid or to be paid on account of the loss of rents or other income from the Property for the period prior to and including the Closing Date, all of which shall be payable to Seller), to the extent the amount of such insurance does not exceed

the Purchase Price, shall be assigned to Purchase at the Closing. If the Property, or any part thereof, suffers any damage less than $1,000,000 prior to the Closing, Purchaser agrees that it will consummate the Closing and accept the assignment of the proceeds of any insurance covering such damage plus an amount equal to Seller's deductible under its insurance policy and there shall be no reduction in the Purchase Price.

14. **Assignment**. This Contract shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Contract nor any of the rights, interest or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of all other parties hereto, and any purported assignment without such consent shall be void; provided, that Purchaser may assign any or all of its rights or interests, or delegate any or all of its obligations, in this Contract to (a) any successor to Purchaser or any acquirer of a material portion of the business or assets of Purchaser or (b) one or more of Purchaser's affiliates, including any newly-created affiliate (such as a limited liability company in which Purchaser or an affiliate of Purchaser is a member), and in either event Purchaser shall remain bound to perform all of its obligations hereunder.

15. **Reporting of Foreign Investment**. Purchaser agrees to comply with any and all reporting requirements applicable to the transaction which is the subject of this Contract which are set forth in any law, statute, ordinance, rule, regulation, order or determination of any governmental authority, including but not limited to The International Investment Survey Act of 1976, The Agricultural Foreign Investment Disclosure Act of 1978, The Foreign Investment in Real Property Tax Act of 1980 and the Tax Reform Act of 1984 and further agrees upon request of Seller to furnish Seller with evidence of such compliance.

16. **No Offer**. The submission of this Contract to Purchaser for review does not constitute an offer or option to sell the Property.

17. **Notices**. All notices, demands and other communications made hereunder shall be in writing and shall be given either by personal delivery, by nationally recognized overnight courier (with charges prepaid) or by telecopy (with telephone confirmation), and shall be deemed to have been given or made when personally delivered, the day following the date deposited with such overnight courier service or when transmitted to telecopy machine on any business day between the hours of 9 a.m. and 5 p.m. (in the time zone of the recipient) and confirmed by telephone, addressed to the respective parties at the following addresses (or such other address for a party as shall be specified by like notice):

As to Seller:
Pine Grove Hospital Corporation
c/o Doctors Community Health Corporation
6730 North Scottsdale Road, Suite 290
Scottsdale, Arizona 85253
Attn: Erich Mounce
Fax: (480) 948-7104

With a copy to:
Weil, Gotshal & Manges LLP
101 Federal Street

CONFIDENTIAL

Boston, Massachusetts 02110
Attn: Andrew M. Troop, Esq.
Fax: (617) 772-8333

As to Purchaser: Sharon Evenhaim
8211 Remmit Street
Canoga Park California 91304
Fax: (818) 888-1368

With copies to: Coldwell Banker
19520 Nordhoff #9-14
Northridge , California 91324 Attn: Michael T. Harris
Fax: (818) 576-1624

18. **Survival**. Except for the representations and warranties contained in Section 11.A.iv, the representations and warranties set forth herein shall terminate immediately after and not survive the Closing.

19. **Parties Bound; Third Party Beneficiaries**. This Contract shall be binding upon and inure to the benefit of Seller and Purchaser, their respective successors and permitted assigns. None of the provisions of this Contract or any document contemplated hereby is intended to grant any right or benefit to any person or entity which is not a party to this Contract, including, without limitation, any previous owner of the Property.

20. **Governing Law**. The laws of the state in which the Property is located shall govern the validity, construction, enforcement and interpretation of this Contract, provided, however, that the Bankruptcy Court shall retain jurisdiction over any and all disputes arising under or otherwise relating to the construction and enforcement of the Sale Order and the transactions consummated thereunder.

21. **Brokers**. Seller represents and warrants that no real estate broker has been involved in this transaction on its behalf other than Cain Brothers & Company, LLC, whose fees shall be payable solely by Seller. If any broker should make a claim for a commission based upon the actions of Seller, Seller shall indemnify, defend and hold Purchaser harmless from such claim. Purchaser represents and warrants that no real estate broker has been involved in this transaction on its behalf other than Michael T. Harris of Coldwell Banker ("Coldwell Banker") , whose fees shall be payable solely by Purchaser pursuant to a separate written agreement with Coldwell Banker . If any broker should make a claim for a commission based upon the actions of Purchaser, Purchaser shall indemnify, defend and hold Seller harmless from such claim.

22. **Multiple Counterparts**. This Contract may be executed in a number of identical counterparts. If so executed, each of such counterparts shall, collectively, constitute one agreement, but in making proof of this Contract, it shall not be necessary to produce or account for more than one such counterpart. Neither this Contract nor any memorandum thereof shall be recorded.

23. **Time of the Essence**. The parties hereto expressly agree that time is of the essence with respect to this Contract.

24. **Entire Contract**. This Contract embodies the entire agreement of the parties with respect to the transaction herein contemplated, superseding all prior agreements and communications whether oral or written. Any amendments hereto shall be in writing and executed by the party against whom enforcement of the modification is sought.

25. **Jurisdiction**. The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Contract or the transactions contemplated hereby shall be governed by the jurisdictional provisions of Title 28 of the United States Code applicable to the Bankruptcy Case and related matters.

26. **Confidentiality**. In recognition of the confidential nature of certain of the information which will be provided to Purchaser by Seller, from the date hereof through the Closing Date, Purchaser agrees to retain in confidence, and to require its directors, officers, employees, consultants, professional representatives, agents and affiliates (collectively, its "**Representatives**") to retain in confidence all confidential information transmitted or disclosed to it or them by Seller, and further agrees that it will not use or disclose to any third party, or permit the use or disclosure to any third party of, any confidential information obtained from or revealed by Seller, except that Purchaser may disclose the confidential information to those of its Representatives who need the information for the proper performance of their assigned duties with respect to the consummation of the transactions contemplated by this Contract. In making such confidential information available to its Representatives, Purchaser shall take any and all precautions necessary to ensure that its Representatives use the confidential information only as permitted hereby. Notwithstanding anything to the contrary in the foregoing provisions, neither Purchaser nor its Representatives shall have any confidentiality obligation with respect to information: (a) the disclosure of which is required by any governmental entity or by court order or decree or applicable law; (b) that is ascertainable or obtained from public or published information; (c) that is received from a third party; (d) that is furnished by or on behalf of Seller to a third party without restriction as to use or disclosure thereof; (e) that is independently developed by Purchaser or its Representatives without resort to Seller's disclosure; or (f) that is in the possession of Purchaser or its Representatives prior to disclosure thereof by Seller in connection with this Contract. Notwithstanding anything to the contrary set forth herein or in any other agreement to which the parties hereto are parties or by which they are bound, the obligations of confidentiality contained herein and therein, as they relate to the transactions hereunder, shall not apply to the tax structure or tax treatment of the transactions hereunder, and each party hereto (and any employee, representative, or agent of any party hereto) may disclose to any and all persons, without limitation of any kind, the tax structure and tax treatment of the transactions hereunder and all materials of any kind (including opinions or other tax analysis) that are provided to such party relating to such tax treatment and tax structure; provided, however, that such disclosure shall not include the name (or other identifying information not relevant to the tax structure or tax treatment) of any person and shall not include information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws. If Purchaser shall be required to make disclosure of any such information by operation of law,

Purchaser shall give Seller prior notice of the making of such disclosure and shall use its best efforts to afford Seller an opportunity to contest the making of such disclosure. In the event that the Closing shall not occur, Purchaser shall immediately deliver, or cause to be delivered, to Seller (without retaining any copies thereof) any and all documents, statements or other written information obtained from Seller that contain confidential information of Seller.

27. **Bankruptcy Court Approval**.

Seller shall use reasonable efforts to gain approval by the Bankruptcy Court of the transactions contemplated by this Contract, to the full extent required by section 363 and other applicable provisions of the Bankruptcy Code and rules, and as soon as reasonably practicable following execution of this Contract. To the extent that Seller has not done so prior to the date of this Contract, Seller shall, immediately following the execution and delivery of this Contract, file motions with the Bankruptcy Court, in form and substance reasonably satisfactory to Purchaser, seeking, among other things, (i) the entry of an order approving certain bid procedures and bid protections, as set forth in Exhibit E, in connection with the sale of the Property ("**Sale Procedure Order**") and (ii) as soon as practicable thereafter, the entry of an order that authorizes the sale of the Purchased Assets and the transactions contemplated by this Contract (the "**Sales Motion**").

The Sale Procedure Order shall prescribe the procedures that will govern the Auction Sale, including but not limited to (i) the deposit that prospective bidders must deposit in order to qualify to bid at the Auction Sale, (ii) the nature of financial information that prospective bidders must submit to establish their financial capacity to consummate a successful bid, (iii) the nature of the notice that must be disseminated to parties in interest and published in newspapers of general and special circulation, (iv) the minimum upset bid required to start the Auction Sale (the "**Initial Upset Bid**") and (v) the minimum bidding increments that must be observed after the receipt of the Initial Upset Bid.

The Sales Motion will provide, *inter alia*, (x) that the sale of the Property will be conducted pursuant to a court supervised auction ("**Auction Sale**") and is subject to higher and better offers, (y) that the Property will be exposed to public sale with this Contract constituting the initial offer for the Property, and (z) that no sale of the Property to Purchaser will be completed until the procedures described above have been conducted under the supervision of the Bankruptcy Court and the sale of the Property is approved by the Bankruptcy Court.

Promptly after the filing of the Sales Motion, Seller shall use reasonable efforts to obtain a hearing thereon at the earliest permissible date on which the Bankruptcy Court will hear such matter, after expiration of any applicable notice period, unless a shorter notice period is approved by the Bankruptcy Court. Upon obtaining a hearing date, Seller shall give notice of the Sales Motion and the hearing thereon as and when required by applicable provisions of the Bankruptcy Laws and orders of the Bankruptcy Court. This Contract, the Sales Motion and the closing of the transactions hereunder shall be subject to the Sale Procedure Order and the Sale Order. Purchaser acknowledges and agrees that if Purchaser is not the high bidder for the Property under the Sale Procedure Order, the Property will not be sold to Purchaser and this Contract will terminate with no liability to Seller.

28. **Marketing**. Seller shall have the right to continue to market the Property and other offers may be negotiated and/or accepted by Seller until the Closing has been consummated under this Contract.

29. **Publicity.** Except as required by the Bankruptcy Code, the Sale Order and any other order of the Bankruptcy Court, Seller and Purchaser agree that they will not make any press releases or other announcements prior to the Closing with respect to this Contract without the prior approval of the other party and in connection with the procedures in the Bankruptcy Court to obtain the Sale Order.

Signatures on Next Page

CONFIDENTIAL

IN WITNESS WHEREOF, the parties hereto have, by their duly authorized representatives, executed this Contract as of the date indicated above.

"SELLER"

PINE GROVE HOSPITAL CORPORATION, a Delaware corporation

By: _____
Name: _____
Title: _____
Date: _____

"PURCHASER"

Sharon Evenhaim

_____
Date: 5/27/03

EXHIBITS

EXHIBIT A – Description of the Property
EXHIBIT B – Title Binder & ALTA Survey
EXHIBIT C – Grant Deed
EXHIBIT D – FIRPTA Affidavit
EXHIBIT D-1 – California Form 593-W
EXHIBIT E – Sales Procedures
EXHIBIT F – Form of Escrow Agreement
EXHIBIT G – Form of Sale Order

EXHIBIT A

DESCRIPTION OF THE PROPERTY

DESCRIPTION

PARCEL 1:

THAT PORTION OF LOT 963 OF TRACT 1000, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 19 PAGES 1 THROUGH 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING SOUTHERLY OF A LINE PARALLEL WITH AND 40 FEET SOUTHERLY MEASURED AT RIGHT ANGLES OR RADIALLY FROM THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT OF INTERSECTION OF THE CENTER LINE OF "FALLBROOK AVENUE", AS ESTABLISHED BY THE ENGINEER OF THE CITY OF LOS ANGELES, AND SHOWN IN FIELD BOOK 10659 PAGES 6, 17 AND 23, WITH A LINE WHICH IS PARALLEL WITH AND 40 FEET NORTHERLY, MEASURED AT RIGHT ANGLES FROM THE SOUTHERLY LINES OF LOTS 960 AND 963 FOR SAID TRACT NO. 1000; THENCE ALONG SAID PARALLEL LINE SOUTH 89 DEGREES 57 MINUTES 41 SECONDS EAST 797.36 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 800 FEET; THENCE NORTHEASTERLY ALONG SAID CURVE, 369.32 FEET; THENCE TANGENT TO SAID LAST MENTIONED CURVE, NORTH 63 DEGREES 35 MINUTES 16 SECONDS EAST 162.75 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE TO THE SOUTHEAST HAVING A RADIUS OF 800 FEET; THENCE NORTHEASTERLY ALONG SAID LAST MENTIONED CURVE, 369.32 FEET TO THE POINT OF TANGENCY WITH A LINE WHICH IS PARALLEL WITH AND 280 FEET NORTHERLY MEASURED AT RIGHT ANGLES FROM SAID SOUTHERLY LINE OF LOT 963; THENCE FROM SAID LAST MENTIONED POINT OF TANGENCY AND ALONG SAID LINE WHICH IS PARALLEL WITH AND 280 FEET NORTHERLY FROM THE SOUTHERLY LINE OF LOT 963, SOUTH 89 DEGREES 57 MINUTES 41 SECONDS EAST 984.99 FEET TO THE CENTER LINE OF SHOUP AVENUE, AS ESTABLISHED BY SAID ENGINEER AND SHOWN IN ENGINEER'S FIELD BOOK 15209 PAGE 4, OFFICIAL RECORDS.

EXCEPT THEREFROM THAT PORTION OF THE EASTERLY 2 FEET THEREOF, INCLUDED WITHIN THE LINES OF THE LAND CONVEYED TO THE COUNTY OF LOS ANGELES, BY DEED RECORDED IN BOOK 5632 PAGE 163 OF DEEDS, RECORDS OF SAID COUNTY.

ALSO EXCEPT THEREFROM THAT PORTION OF SAID LOT 963, DESCRIBED AS PARCEL NO. 79 IN THE FINAL ORDER OF CONDEMNATION, LOS ANGELES COUNTY SUPERIOR COURT, CASE NO. 770047, A CERTIFIED COPY OF WHICH ORDER WAS RECORDED NOVEMBER 5, 1962 AS INSTRUMENT NO. 4854 IN BOOK D-1813 PAGE 840 OF OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM ONE-HALF OF ALL MINERALS, COAL, OILS, PETROLEUM AND KINDRED SUBSTANCES AND NATURAL GAS UNDER SAID LAND, AS RESERVED BY CHARLOTTE H. LEE, A WIDOW, IN DEED RECORDED SEPTEMBER 8, 1955 IN BOOK 488891 PAGE 342, OFFICIAL RECORDS.

PARCEL 2:

THAT PORTION OF LOT 960 OF TRACT 1000, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 19 PAGES 1 THROUGH 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING SOUTHERLY OF THE SOUTHERLY LINE OF THAT CERTAIN 80.00 FOOT CONTROL CHANNEL DESCRIBED AS PARCEL 32 IN THE FINAL DECREE OF CONDEMNATION ENTERED IN THE LOS ANGELES COUNTY SUPERIOR COURT, CASE NO. 547785, A CERTIFIED COPY THEREOF BEING RECORDED IN BOOK 29634 PAGE 101, OFFICIAL RECORDS.

EXCEPT THEREFROM ALL MINERALS, COAL, OILS, PETROLEUM AND KINDRED SUBSTANCES AND NATURAL GAS UNDER AND IN SAID LAND, AS CONVEYED TO CARMEN B. FLORES, A WIDOW, AND SANTOS HOJO, A SINGLE MAN, AS JOINT TENANTS, BY DEED RECORDED JANUARY 19, 1951 IN BOOK 35361 PAGE 352, OFFICIAL RECORDS.

EXHIBIT B

TITLE BINDER & ALTA SURVEY

CHICAGO TITLE COMPANY

PRELIMINARY REPORT

FIRST AMENDED

Dated as of: April 15, 2003 at 7:30 AM

Reference: NBU #122300940

Order No.: 31057470 - X59

Regarding: 7011 SHOUP AVE.
CANOGA PARK, CA

CHICAGO TITLE COMPANY hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception in Schedule B or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in the attached list. Copies of the Policy forms are available upon request.

Please read the exceptions shown or referred to in Schedule B and the exceptions and exclusions set forth in the attached list of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered. It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

THIS REPORT (AND ANY SUPPLEMENTS OR AMENDMENTS HERETO) IS ISSUED SOLELY FOR THE PURPOSE OF FACILITATING THE ISSUANCE OF A POLICY OF TITLE INSURANCE AND NO LIABILITY IS ASSUMED HEREBY. IF IT IS DESIRED THAT LIABILITY BE ASSUMED PRIOR TO THE ISSUANCE OF A POLICY OF TITLE INSURANCE, A BINDER OR COMMITMENT SHOULD BE REQUESTED.

The form of policy of title insurance contemplated by this report is:

AMERICAN LAND TITLE ASSOCIATION OWNER'S EXTENDED COVERAGE POLICY

Title Department:

CHICAGO TITLE COMPANY
700 S. FLOWER ST. #900
LOS ANGELES, CA 90017
(213)488-4300 fax: (213)488-4385

CLARK MCKINNON
X59

SCHEDULE A

Order No: 31057470 X59 Your Ref: NBU #122300940

1. The estate or interest in the land hereinafter described or referred to covered by this report is:

A FEE

2. Title to said estate or interest at the date hereof is vested in:

VALUEMARK - PINE GROVE BEHAVIORAL HEALTHCARE SYSTEMS, INC., A GEORGIA CORPORATION, SUCCESSOR IN INTEREST TO BHCA OF CANOGA PARK, INC., A CORPORATION ORGANIZED UNDER THE LAWS OF THE STATE OF GEORGIA

3. The land referred to in this report is situated in the State of California, County of LOS ANGELES and is described as follows:

SEE ATTACHED DESCRIPTION

DESCRIPTION

PARCEL 1:

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BEGINNING AT A POINT OF INTERSECTION OF THE CENTER LINE OF "FALLBROOK AVENUE", AS ESTABLISHED BY THE ENGINEER OF THE CITY OF LOS ANGELES, AND SHOWN IN FIELD BOOK 10659 PAGES 6, 17 AND 23, WITH A LINE WHICH IS PARALLEL WITH AND 40 FEET NORTHERLY, MEASURED AT RIGHT ANGLES FROM THE SOUTHERLY LINES OF LOTS 960 AND 963 FOR SAID TRACT NO. 1000; THENCE ALONG SAID PARALLEL LINE SOUTH 89 DEGREES 57 MINUTES 41 SECONDS EAST 797.36 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 800 FEET; THENCE NORTHEASTERLY ALONG SAID CURVE, 369.32 FEET; THENCE TANGENT TO SAID LAST MENTIONED CURVE, NORTH 63 DEGREES 35 MINUTES 16 SECONDS EAST 162.75 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE TO THE SOUTHEAST HAVING A RADIUS OF 800 FEET; THENCE NORTHEASTERLY ALONG SAID LAST MENTIONED CURVE, 369.32 FEET TO THE POINT OF TANGENCY WITH A LINE WHICH IS PARALLEL WITH AND 280 FEET NORTHERLY MEASURED AT RIGHT ANGLES FROM SAID SOUTHERLY LINE OF LOT 963; THENCE FROM SAID LAST MENTIONED POINT OF TANGENCY AND ALONG SAID LINE WHICH IS PARALLEL WITH AND 280 FEET NORTHERLY FROM THE SOUTHERLY LINE OF LOT 963, SOUTH 89 DEGREES 57 MINUTES 41 SECONDS EAST 984.99 FEET TO THE CENTER LINE OF SHOUP AVENUE, AS ESTABLISHED BY SAID ENGINEER AND SHOWN IN ENGINEER'S FIELD BOOK 15209 PAGE 4, OFFICIAL RECORDS.

EXCEPT THEREFROM THAT PORTION OF THE EASTERLY 2 FEET THEREOF, INCLUDED WITHIN THE LINES OF THE LAND CONVEYED TO THE COUNTY OF LOS ANGELES, BY DEED RECORDED IN BOOK 5632 PAGE 163 OF DEEDS, RECORDS OF SAID COUNTY.

ALSO EXCEPT THEREFROM THAT PORTION OF SAID LOT 963, DESCRIBED AS PARCEL NO. 79 IN THE FINAL ORDER OF CONDEMNATION, LOS ANGELES COUNTY SUPERIOR COURT, CASE NO. 770047, A CERTIFIED COPY OF WHICH ORDER WAS RECORDED NOVEMBER 5, 1962 AS INSTRUMENT NO. 4854 IN BOOK D-1813 PAGE 840 OF OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM ONE-HALF OF ALL MINERALS, COAL, OILS, PETROLEUM AND KINDRED SUBSTANCES AND NATURAL GAS UNDER SAID LAND, AS RESERVED BY CHARLOTTE H. LEE, A WIDOW, IN DEED RECORDED SEPTEMBER 8, 1955 IN BOOK 488891 PAGE 342, OFFICIAL RECORDS.

PARCEL 2:

THAT PORTION OF LOT 960 OF TRACT 1000, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 19 PAGES 1 THROUGH 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING SOUTHERLY OF THE SOUTHERLY LINE OF THAT CERTAIN 80.00 FOOT CONTROL CHANNEL DESCRIBED AS PARCEL 32 IN THE FINAL DECREE OF CONDEMNATION ENTERED IN THE LOS ANGELES COUNTY SUPERIOR COURT, CASE NO. 547785, A CERTIFIED COPY THEREOF BEING RECORDED IN BOOK 29634 PAGE 101, OFFICIAL RECORDS.

EXCEPT THEREFROM ALL MINERALS, COAL, OILS, PETROLEUM AND KINDRED SUBSTANCES AND NATURAL GAS UNDER AND IN SAID LAND, AS CONVEYED TO CARMEN B. FLORES, A WIDOW, AND SANTOS HOJO, A SINGLE MAN, AS JOINT TENANTS, BY DEED RECORDED JANUARY 19, 1951 IN BOOK 35361 PAGE 352, OFFICIAL RECORDS.

SCHEDULE B

Order No: 31057470 X59 Your Ref: NBU #122300940

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in the policy form designated on the face page of this Report would be as follows:

A 1. PROPERTY TAXES, INCLUDING ANY ASSESSMENTS COLLECTED WITH TAXES, TO BE LEVIED FOR THE FISCAL YEAR 2003-2004 THAT ARE A LIEN NOT YET DUE.

B 2. PROPERTY TAXES, INCLUDING ANY PERSONAL PROPERTY TAXES AND ANY ASSESSMENTS COLLECTED WITH TAXES, FOR THE FISCAL YEAR 2002-2003.

1ST INSTALLMENT:	$25,943.47
PENALTY:	$2,594.34 (DUE AFTER DECEMBER 10)
2ND INSTALLMENT:	$25,943.45
PENALTY AND COST:	$2,604.34 (DUE AFTER APRIL 10)
HOMEOWNERS EXEMPTION:	$-NONE-
CODE AREA:	0000016
ASSESSMENT NO:	2024-016-026

AFFECTS: PARCEL 1.

C 3. SAID PROPERTY HAS BEEN DECLARED TAX-DEFAULTED FOR NON-PAYMENT OF DELINQUENT TAXES FOR FISCAL YEAR 2000-2001 (AND SUBSEQUENT YEARS, IF ANY)

AMOUNT TO REDEEM:	$133,359.76
IF PAID BY:	APRIL 30, 2003
AMOUNT TO REDEEM:	$134,855.40
IF PAID BY:	MAY 31, 2003

ASSESSMENT NO. : 2024-016-026

AFFECTS: PARCEL 1.

D 4. PROPERTY TAXES, INCLUDING ANY PERSONAL PROPERTY TAXES AND ANY ASSESSMENTS COLLECTED WITH TAXES, FOR THE FISCAL YEAR 2002-2003.

1ST INSTALLMENT:	$1,048.15
PENALTY:	$104.81 (DUE AFTER DECEMBER 10)
2ND INSTALLMENT:	$1,048.13
PENALTY AND COST:	$114.81 (DUE AFTER APRIL 10)
HOMEOWNERS EXEMPTION:	$-NONE-
CODE AREA:	0000016
ASSESSMENT NO:	2024-024-023

AFFECTS: PARCEL 2.

SCHEDULE B
(continued)

Order No: 31057470 X59 Your Ref: NBU #122300940

E 5. SAID PROPERTY HAS BEEN DECLARED TAX-DEFAULTED FOR NON-PAYMENT OF DELINQUENT TAXES FOR FISCAL YEAR 2000-2001 (AND SUBSEQUENT YEARS, IF ANY)

AMOUNT TO REDEEM: $5,455.09
IF PAID BY: APRIL 30, 2003

AMOUNT TO REDEEM: $5,515.87
IF PAID BY: MAY 31, 2003

ASSESSMENT NO.: 2024-024-023

AFFECTS: PARCEL 2.

F 6. THE LIEN OF SUPPLEMENTAL OR ESCAPED ASSESSMENTS OF PROPERTY TAXES, IF ANY, MADE PURSUANT TO THE PROVISIONS OF PART 0.5, CHAPTER 3.5 OR PART 2, CHAPTER 3, ARTICLES 3 AND 4 RESPECTIVELY (COMMENCING WITH SECTION 75) OF THE REVENUE AND TAXATION CODE OF THE STATE OF CALIFORNIA AS A RESULT OF THE TRANSFER OF TITLE TO THE VESTEE NAMED IN SCHEDULE A; OR AS A RESULT OF CHANGES IN OWNERSHIP OR NEW CONSTRUCTION OCCURRING PRIOR TO DATE OF POLICY.

G 7. IF REAL PROPERTY TAXES ARE TO BE ADVANCED THROUGH THIS ORDER IN A TIMELY AND EFFICIENT MANNER, THIS OFFICE SHOULD BE SENT THE ORIGINAL **TAX BILLS** WHICH ARE IN THE POSSESSION OF THE OWNER(S) PRIOR TO THE CLOSE OF THIS TRANSACTION AND/OR FIVE DAYS PRIOR TO THE DUE DATE. THIS GREATLY MINIMIZES MISPOSTINGS AND REDUCES FUTURE COMPLAINTS TO THE ESCROW AND TITLE COMPANY.

SUBESCROW FUNDS WILL BE USED TO PAY ANY TAXES THAT WILL BE ADVANCED THROUGH THIS TRANSACTION. IF NO SUBESCROW IS CONTEMPLATED, THEN PRIOR TO CLOSING, CHICAGO TITLE MUST BE PROVIDED WITH A CHECK FROM THE ESCROW TO PAY THE TAXES. THE CHECK MUST BE MADE PAYABLE TO "LOS ANGELES COUNTY TAX COLLECTOR". ONLY ESCROW CHECKS OR CERTIFIED FUNDS WILL BE ACCEPTED.

H 8. AN EASEMENT FOR THE PURPOSE SHOWN BELOW AND RIGHTS INCIDENTAL THERETO AS SET FORTH IN A DOCUMENT

PURPOSE: POLE LINES AND CONDUITS
RECORDED: IN BOOK 1217 PAGE 261, OFFICIAL RECORDS
AFFECTS: SOUTHERLY 10 FEET AND EASTERLY 10 FEET OF PARCEL 2.

I 9. AN EASEMENT FOR THE PURPOSE SHOWN BELOW AND RIGHTS INCIDENTAL THERETO AS SET FORTH IN A DOCUMENT

PURPOSE: POLE LINES AND CONDUITS
RECORDED: IN BOOK 6454 PAGE 340 OF DEEDS
AFFECTS: SOUTHERLY AND WESTERLY 10 FEET AND EASTERLY 8 FEET OF PARCEL 1.

SCHEDULE B
(continued)

Order No: 31057470 X59 Your Ref: NBU #122300940

J 10. THE PROVISIONS IN A DEED PROHIBITING THE BUYING, SELLING OR HANDLING OF INTOXICATING LIQUORS ON SAID LAND,

RECORDED: IN BOOK 6454 PAGE 340 OF DEEDS

K SAID COVENANTS, CONDITIONS AND RESTRICTIONS PROVIDE THAT A VIOLATION THEREOF SHALL NOT DEFEAT THE LIEN OF ANY MORTGAGE OR DEED OF TRUST MADE IN GOOD FAITH AND FOR VALUE.

L 11. AN EASEMENT FOR THE PURPOSE SHOWN BELOW AND RIGHTS INCIDENTAL THERETO AS SET FORTH IN A DOCUMENT

PURPOSE:	WATER PIPE LINES
RECORDED:	IN BOOK 9695 PAGE 129, OFFICIAL RECORDS
AFFECTS:	EASTERLY 8 FEET OF PARCEL 1.

M 12. AN EASEMENT FOR THE PURPOSE SHOWN BELOW AND RIGHTS INCIDENTAL THERETO AS SET FORTH IN A DOCUMENT

PURPOSE:	AERIAL AND UNDERGROUND COMMUNICATION STRUCTURES
RECORDED:	OCTOBER 15, 1957 AS INSTRUMENT NO. 3559 IN BOOK 55853 PAGE 433, OFFICIAL RECORDS
AFFECTS:	SOUTHERLY 2 FEET OF WESTERLY 25 FEET OF EASTERLY 65 FEET OF PARCEL 1.

N 13. AN IRREVOCABLE OFFER TO DEDICATE A PORTION OF SAID LAND FOR THE PURPOSES STATED HEREIN

FOR:	PUBLIC STREET, ROAD OR HIGHWAY PURPOSES
RECORDED:	DECEMBER 2, 1964 AS INSTRUMENT NO. 5296 IN BOOK D-2719 PAGE 425, OFFICIAL RECORDS
AFFECTS:	THE WESTERLY 7 FEET OF THE EASTERLY 9 FEET OF THE SOUTHERLY 240 FEET OF PARCEL 1.

O 14. AN EASEMENT FOR THE PURPOSE SHOWN BELOW AND RIGHTS INCIDENTAL THERETO AS SET FORTH IN A DOCUMENT

PURPOSE:	POLE LINES AND CONDUITS
RECORDED:	IN BOOK 6481 PAGE 137 OF DEEDS AND IN BOOK 6669 PAGE 97 OF DEEDS
AFFECTS:	EASTERLY AND SOUTHERLY 10 FEET OF PARCEL 2.

P 15. THE PROVISIONS IN A DEED PROHIBITING THE BUYING, SELLING OR HANDLING OF

SCHEDULE B (continued)

Order No: 31057470 X59 Your Ref: NBU #122300940

INTOXICATING LIQUORS ON SAID LAND,

RECORDED: IN BOOK 6481 PAGE 137 OF DEEDS

q SAID COVENANTS, CONDITIONS AND RESTRICTIONS PROVIDE THAT A VIOLATION THEREOF SHALL NOT DEFEAT THE LIEN OF ANY MORTGAGE OR DEED OF TRUST MADE IN GOOD FAITH AND FOR VALUE.

AFFECTS: PARCEL 2.

s 16. THE PROVISIONS IN A DEED PROHIBITING THE BUYING, SELLING OR HANDLING OF INTOXICATING LIQUORS ON SAID LAND,

RECORDED: IN BOOK 1217 PAGE 261, OFFICIAL RECORDS

t SAID COVENANTS, CONDITIONS AND RESTRICTIONS PROVIDE THAT A VIOLATION THEREOF SHALL NOT DEFEAT THE LIEN OF ANY MORTGAGE OR DEED OF TRUST MADE IN GOOD FAITH AND FOR VALUE.

AFFECTS: PARCEL 2.

v 17. A DOCUMENT ENTITLED "DESCRIPTION OF THE LAND WITHIN THE EARTHQUAKE DISASTER ASSISTANCE PROJECT AREA FOR PORTIONS OF COUNCIL DISTRICT 3 AND STATEMENT THAT REDEVELOPMENT PROCEEDINGS HAVE BEEN INSTITUTED (HEALTH & SAFETY CODE SECTION 33373)", DATED DECEMBER 28, 1994 EXECUTED BY THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, SUBJECT TO ALL THE TERMS, PROVISIONS AND CONDITIONS THEREIN CONTAINED, RECORDED DECEMBER 28, 1994 AS INSTRUMENT NO. 94-2276777.

AFFECTS: THIS AND OTHER PROPERTY.

x 18. ANY RIGHTS OF THE PARTIES IN POSSESSION OF SAID LAND, BASED ON ANY UNRECORDED LEASE, OR LEASES.

THIS COMPANY WILL REQUIRE THAT A FULL COPY OF ANY UNRECORDED LEASE BE SUBMITTED TO US, TOGETHER WITH ALL SUPPLEMENTS, ASSIGNMENTS AND AMENDMENTS, BEFORE ISSUING ANY POLICY OF TITLE INSURANCE.

y 19. WATER RIGHTS, CLAIMS OR TITLE TO WATER, WHETHER OR NOT SHOWN BY THE PUBLIC RECORDS.

z 20. ANY CLAIM, WHICH ARISES OUT OF THE TRANSACTION VESTING IN THE INSURED THE ESTATE OR INTEREST INSURED BY THIS POLICY, BY REASON OF THE OPERATION OF FEDERAL BANKRUPTCY, STATE INSOLVENCY, OR SIMILAR CREDITORS' RIGHTS LAWS, THAT IS BASED ON:

(i) THE TRANSACTION CREATING THE ESTATE OR INTEREST INSURED BY THIS POLICY BEING DEEMED A FRAUDULENT CONVEYANCE OR FRAUDULENT TRANSFER;

SCHEDULE B (continued)

Order No: 31057470 X59 Your Ref: NBU #122300940

OR

(ii) THE TRANSACTION CREATING THE ESTATE OR INTEREST INSURED BY THIS POLICY BEING DEEMED A PREFERENTIAL TRANSFER EXCEPT WHERE THE PERFERENTIAL TRANSFER RESULTS FROM THE FAILURE:

(A) TO TIMELY RECORD THE INSTRUMENT OF TRANSFER; OR

(B) OF SUCH RECORDATION TO IMPART NOTICE TO A PURCHASER FOR VALUE OR A JUDGMENT OR LIEN CREDITOR.

AA END OF SCHEDULE B

AB NOTE NO. 1: IF THIS COMPANY IS REQUESTED TO DISBURSE FUNDS IN CONNECTION WITH THIS TRANSACTION, CHAPTER 598, STATUTES OF 1989 MANDATES HOLD PERIODS FOR CHECKS DEPOSITED TO ESCROW OR SUB-ESCROW ACCOUNTS. THE MANDATORY HOLD PERIOD FOR CASHIER'S CHECKS, CERTIFIED CHECKS AND TELLER'S CHECKS IS ONE BUSINESS DAY AFTER THE DAY DEPOSITED. OTHER CHECKS REQUIRE A HOLD PERIOD OF FROM TWO TO FIVE BUSINESS DAYS AFTER THE DAY DEPOSITED. IN THE EVENT THAT THE PARTIES TO THE CONTEMPLATED TRANSACTION WISH TO RECORD PRIOR TO THE TIME THAT THE FUNDS ARE AVAILABLE FOR DISBURSEMENT (AND SUBJECT TO COMPANY APPROVAL), THE COMPANY WILL REQUIRE THE PRIOR WRITTEN CONSENT OF THE PARTIES. UPON REQUEST, A FORM ACCEPTABLE TO THE COMPANY AUTHORIZING SAID EARLY RECORDING MAY BE PROVIDED TO ESCROW FOR EXECUTION.

WIRE TRANSFERS

THERE IS NO MANDATED HOLD PERIOD FOR FUNDS DEPOSITED BY CONFIRMED WIRE TRANSFER. THE COMPANY MAY DISBURSE SUCH FUNDS THE SAME DAY.

CHICAGO TITLE WILL DISBURSE BY WIRE (WIRE-OUT) ONLY COLLECTED FUNDS OR FUNDS RECEIVED BY CONFIRMED WIRE (WIRE-IN). THE FEE FOR EACH WIRE-OUT IS $25.00. THE COMPANY'S WIRE-IN INSTRUCTIONS ARE:

WIRE-IN INSTRUCTIONS FOR BANK OF AMERICA:

BANK:	BANK OF AMERICA 1850 GATEWAY BLVD. CONCORD, CA 94520
BANK ABA:	121000358
ACCOUNT NAME:	CHICAGO TITLE COMPANY BROADWAY PLAZA OFFICE
ACCOUNT NO.:	12351-50737
FOR CREDIT TO:	CHICAGO TITLE COMPANY

SCHEDULE B (continued)

Order No: 31057470 X59 Your Ref: NBU #122300940

700 SOUTH FLOWER, SUITE 900
LOS ANGELES, CA 90017

FURTHER CREDIT TO: ORDER NO.: 031057470

AC NOTE NO. 2: WHEN THIS TITLE ORDER CLOSES AND IF CHICAGO TITLE IS HANDLING LOAN PROCEEDS THROUGH SUB-ESCROW, ALL TITLE CHARGES AND EXPENSES NORMALLY BILLED, WILL BE DEDUCTED FROM THOSE LOAN PROCEEDS (TITLE CHARGES AND EXPENSES WOULD INCLUDE TITLE PREMIUMS, ANY TAX OR BOND ADVANCES, DOCUMENTARY TRANSFER TAX AND RECORDING FEES, ETC.).

AD NOTE NO. 3: THIS COMPANY WILL REQUIRE THAT AN ALTA SURVEY OF SAID LAND, SATISFACTORY TO THIS COMPANY, BE SUBMITTED. IT IS RECOMMENDED THAT THE SURVEYOR CONTACT THIS COMPANY PRIOR TO STARTING THE SURVEY.

AE NOTE NO. 4: YOUR OPEN ORDER REQUEST INDICATES THAT A CORPORATION FORMED OUTSIDE OF THE JURISDICTION OF THE STATE OF CALIFORNIA WILL BE ACQUIRING, ENCUMBERING OR CONVEYING THE PROPERTY IN YOUR TRANSACTION. THEREFORE, IT IS THE REQUIREMENT OF THIS COMPANY THAT PRIOR TO THE ISSUANCE OF OUR POLICY OF TITLE INSURANCE, WE BE FURNISHED AN OPINION BY INDEPENDENT COUNSEL AUTHORIZED TO PRACTICE LAW IN THE FOREIGN JURISDICTION, AT NO COST TO THIS COMPANY, WHICH OPINION SHALL MAKE THE FOLLOWING REPRESENTATIONS:

(1) THAT COUNSEL HAS REVIEWED AND STUDIED THE ARTICLES OF INCORPORATION AND ANY OTHER PERTINENT DOCUMENTS IN LIGHT OF THE APPLICABLE LAWS OF THAT JURISDICTION;

(2) THAT THE CORPORATION WAS PROPERLY INCORPORATED IN THAT JURISDICTION;

(3) THAT THE CORPORATION IS PRESENTLY IN GOOD STANDING IN THAT JURISDICTION;

(4) THAT THE CORPORATION HAS BOTH THE POWER AND AUTHORITY TO OWN PROPERTY IN THE UNITED STATES/STATE OF CALIFORNIA, BOTH UNDER ITS ARTICLES AND THE LAWS OF THAT JURISDICTION; AND

(5) THAT THE NAMED PERSON(S) WHO WILL EXECUTE DOCUMENTS (IF ANY) ON BEHALF OF THE CORPORATION IS/ARE AUTHORIZED TO DO SO.

PLATS
CM/RL

CHICAGO TITLE COMPANY

Supplemental Report

Issuing Office:
700 SOUTH FLOWER ST.,
SUITE 900, LOS ANGELES,
CALIFORNIA 90017
(213)488-4300

MADELINE LEONE
CHICAGO TITLE/NEW YORK
711 THIRD AVENUE,
NEW YORK, NY 10017-4014

Your Ref: NBU #122300940 Order No: 31057470 X59

Dated as of MAY 20, 2003 at 7:30 AM

Title Officer: CLARK MCKINNON

The above numbered report dated APRIL 15, 2003 (including any supplements or amendments thereto) is hereby modified and/or supplemented in order to reflect the following:

AK PLEASE BE ADVISED THAT THE VESTING IS HEREBY AMENDED TO READ AS FOLLOWS:

PINE GROVE HOSPITAL CORPORATION, A DELAWARE CORPORATION, SUCCESSOR BY MERGER TO VALUEMARK - PINE GROVE BEHAVIORAL HEALTHCARE SYSTEMS, INC., A GEORGIA CORPORATION, SUCCESSOR IN INTEREST TO BHCA OF CANOGA PARK, INC., A CORPORATION ORGANIZED UNDER THE LAWS OF THE STATE OF GEORGIA

PLEASE BE ADVISED THAT ITEM NUMBER(S) 21 IS/ARE HEREBY ADDED:

AM 21. A DEED OF TRUST TO SECURE AN INDEBTEDNESS IN THE ORIGINAL AMOUNT SHOWN BELOW

AMOUNT:	$30,000,000.00
DATED:	MAY 9, 2003
TRUSTOR:	PINE GROVE HOSPITAL CORPORATION, SUCCESSOR BY MERGER TO VALUEMARK PINE GROVE BEHAVIORAL HEALTHCARE SYSTEM, INC., SUCCESSOR IN INTEREST TO BHCA OF CANOGA PARK, INC.
TRUSTEE:	CHICAGO TITLE
BENEFICIARY:	MERRILL LYNCH CAPITAL, A DIVISION OF MERRILL LYNCH BUSINESS FINANCIAL SERVICES INC.
RECORDED:	MARCH 19, 2003 AS INSTRUMENT NO. 03-1408919
ORIGINAL LOAN NUMBER:	NOT SHOWN

EXHIBIT C

FORM OF GRANT DEED

RECORDING REQUESTED BY [_____] **AND WHEN RECORDED MAIL TO:** [Company Name] [address] Attn: _____	**THE AREA ABOVE IS RESERVED FOR RECORDER'S USE**

APN: _____ File No.: _____

DOCUMENTARY TRANSFER TAX The undersigned Grantor declares that the following documentary transfer tax(es) is/are applicable to this transaction:

County: $_____. City: _____. The foregoing was:

_____ Computed on the consideration or value of property conveyed; OR

_____ Computed on the consideration or value less liens or encumbrance remaining at time of sale.

GRANT DEED

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, _____, a California _____ ("Grantor"), hereby grants, transfers and assigns to _____, a California _____ ("Grantee"), all of Grantor's interest in that certain real property ("Property") located in the City of _____, County of _____, State of California, which is more particularly described as:

See legal description attached hereto as Exhibit A and incorporated herein by this reference

SUBJECT TO all covenants, conditions, reservations, restrictions, rights of way and easements of record as of the date of recordation hereof.

IN WITNESS WHEREOF, this Grant Deed has been executed this ___ day of , 2003.

Dated: , 2003 STATE OF CALIFORNIA)) ss. COUNTY OF _____) On , 2003, before me , personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument. WITNESS my hand and official seal. Signature:_____	_____, a California _____ By: Its:

MAIL TAX STATEMENTS TO ADDRESS ABOVE

Exhibit A

Legal Description of Property

EXHIBIT D

FIRPTA AFFIDAVIT

NON-FOREIGN AFFIDAVIT UNDER INTERNAL REVENUE CODE SECTION 1445(b)(2)

STATE OF _____)
) ss:
COUNTY OF _____)

_____, being first duly sworn deposes and states under penalty of perjury:

1. That he/she is a _____of , a Delaware corporation, the transferor of the property located at [California].

2. That the transferor's office address is at _____.

3. That the United States taxpayer identification number for the transferor is 13-2745892.

4. That the transferor is not a "**foreign person**" as that term is defined in Section 1445(f) of the United States Internal Revenue Code of 1986, as amended (the "**Code**").

This affidavit is given to _____, a _____, the transferee of the property described in paragraph 1 above, for the purpose of establishing and documenting the nonforeign affidavit exemption to the withholding requirement of Section 1445 of the Code. The transferor understands that this affidavit may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

By: _____
Name:
Title:

Subscribed and sworn to
before me this __ day
of _____, 2003.

Notary Public:

EXHIBIT D-1

CALIFORNIA FORM 593-W

(see attached)



California Form 593-W and Instructions for Non-Individual Sellers Only

2003

Real Estate Withholding Exemption Certificate

and

Waiver Request for Non-Individual Sellers

Use this form to apply for a real estate sales withholding exemption or to request a waiver or reduction in the withholding.

General Information

What's New

Assembly Bill 2065, expands withholding requirements to apply to resident individuals on California real property sales that close on or after January 1, 2003. The previous law applied to all nonresidents, including individuals. The new law also eliminates withholding waivers for all individuals after that date. We developed new forms to meet the new requirements. **Non-individual** sellers must use Form 593-W, *Real Estate Withholding Exemption Certificate and Waiver Request for Non-Individual Sellers,* to determine if they qualify for a withholding exemption or to request a waiver from withholding for the sale of California real estate. Form 593-W replaces Forms 597-E, 597-I, and those portions of 597-W that applied to non-individuals. Non-individuals are any type of entity other than individuals, such as corporations, estates, partnerships, trusts, etc. **Individual** sellers must use Form 593-C, *Real Estate Withholding Certificate for Individual Sellers,* to claim an exemption.

Purpose

When the following entities sell California real estate, the buyers must withhold 3 1/3 percent of the total sales price and submit it to the California Franchise Tax Board (California Revenue and Taxation Code Section 18662):

- Corporations that do not have a permanent place of business in California.
- Entities other than corporations that do not have a last known street address in California.

If you are a non-individual seller, your buyer need not withhold if you meet certain requirements. Also, you can request a waiver or a reduction of withholding if the 3 1/3 percent will result in significant over-withholding. To determine whether you qualify for a withholding exemption, or to request a waiver or reduction, you must complete the attached California Form 593-W as follows:

- Use Part I of Form 593-W to certify that you qualify for a withholding exemption for the sale of California real estate.
- Use Part II of Form 593-W to request a waiver or reduction of the required withholding for the sale of California real estate only when you believe your tax liability from the sale will be much less than 3 1/3 percent of the total sales price.

Who Must Withhold?

Although the law requires the buyer to withhold, the buyer can request the escrow person to do the withholding. We use the term *withholding agent* throughout these instructions to refer to either the escrow person or the buyer, whoever is taking responsibility for withholding.

What is Real Estate Withholding?
Real estate withholding is:

- A prepayment of estimated income tax due from the gain on a sale of California real estate. If the amount withheld is more than the income tax liability, we will refund the difference when you file a California tax return after the end of the year.
- Not an additional tax on the sale of real estate.

Why Do We Withhold?
We withhold:

- To ensure payment of income tax owed on the taxable gain from the sale.
- To reduce the likelihood of penalties charged to the seller for underpayment of estimated tax.

Withholding Agent Instructions

- Provide Form 593-W, with instructions, to non-individual sellers with a last known street address outside of California as soon as escrow opens. We update our forms and instructions annually, so please make certain you use the most current form.
- The sellers should complete and sign Form 593-W, then give it to you.
    - If the sellers check "YES" on any of the boxes on Form 593-W, Part I, you are relieved of the real estate withholding requirements if you rely in good faith on the completed and signed form, certifying an exemption from withholding. You should retain the form for five years following the close of the transaction.
    - If the sellers check "NO" on all of the boxes on Form 593-W, Part I, they are subject to the withholding requirements. Non-individual sellers can request a waiver or reduction in withholding by completing Form 593-W, Part II. The completed request must be submitted to us before the close of escrow so we can make a determination.

      If the close of escrow or 45-day deadline is near and we have not responded to the waiver request, call us at (888) 792-4900 to check the status of the request before sending the payment.

      If no waiver request was submitted or you receive a determination letter from us stating there is still a withholding requirement, you must complete Form 597, *Real Estate Withholding Tax Statement,* and mail it to us with the amount withheld. If the seller requested a waiver, enter the confirmation number from our determination letter on Form 597. You must file a separate Form 597 for each seller with an amount withheld.

      Please see Form 597 for further instructions.

Contacting the Franchise Tax Board

To order California tax forms:

By Internet: You can download, view, and print California tax forms and publications. For real estate withholding forms, go to our Website at:

www.ftb.ca.gov

By automated phone service: Use this service to order California tax forms and current year federal forms. Have a paper and pencil ready to take notes.

From within the United States: . . . . . (800) 338-0505
From outside the United States (not toll-free): . . . . (916) 845-6600

Follow the recorded instructions. This service is available 24 hours a day, seven days a week.

By mail: Please allow two weeks to receive your order. If you live outside California, please allow three weeks to receive your order. Write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

In person: Many California libraries, post offices, and banks provide free California personal income tax booklets during the filing season. Most libraries and some quick print businesses have forms and schedules for you to photocopy (a nominal fee may apply). **Note:** Employees at libraries, post offices, banks, and quick print businesses cannot provide tax information or assistance.

CONTACT US WITH REAL ESTATE WITHHOLDING QUESTIONS AT:

(888) 792-4900 or (916) 845-4900 (not toll-free)

Telephone assistance is available from 8 a.m. until 5 p.m. Monday through Friday.
We may modify these hours without notice to meet operational needs.

ASSISTANCE

(For state income tax issues unrelated to your real estate withholding)

Telephone assistance is available from 7 a.m. until 8 p.m. Monday through Friday and from 8 a.m. until 5 p.m. on Saturdays. We may modify these hours without notice to meet operational needs.

From within the United States, call . . . . . (800) 852-5711
From outside the United States, call (not toll-free) . . . . . (916) 845-6500

Website at: **www.ftb.ca.gov**

Assistance for persons with disabilities: We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD (800) 822-6268.

Part I - Withholding Exemption Certificate

Use this section to determine if you meet any of the exemptions to withholding.

Caution: Sellers who are individuals may not use this form. If you are an individual, get Form 593-C.

If you are a non-individual seller, we allow you an exemption from withholding if you meet any of the conditions in Part I. You need to complete and sign Form 593-W, Part I, then give it to your withholding agent.

Note: If you qualify for an exemption from withholding, you may still have to file a California tax return and pay any tax due on the sale of the California real estate.

Line 1 – Total Sales Price of Property
The total sales price of the California property is $100,000 or less. Multiple sellers of California property must use the total sales price of the property, not just their ownership percentage.

Line 2 – Corporation
A corporation has a permanent place of business in California if:

- It is organized and existing under the laws of California; or
- It is a non-California corporation qualified to transact intrastate business by the California Secretary of State;
- It still maintains and staffs a permanent office in California immediately after the sale.

Line 3 – Partnership
We do not require withholding if the recorded title to the property being transferred is in the name of a partnership. However, partnerships must withhold on distributions of California source income to domestic nonresident partners. They must also withhold on foreign partners' allocable shares of California source income whether distributed or not. (Get FTB Pub. 1017, *Nonresident Withholding Partnership Guidelines*, for withholding information.)

Line 4 – Limited Liability Company (LLC)
We do not require withholding if the recorded title to the property being transferred is in the name of an LLC that:

- Is classified as a partnership for federal and California income tax purposes; and
- Is not a single member LLC that is disregarded for federal and California income tax purposes.

If the LLC meets these conditions, the LLC must still withhold on distributions of California source income to domestic nonresident members. They must also withhold on foreign members' allocable shares of California source income whether distributed or not. (Get *FTB Pub. 1017, Nonresident Withholding Partnership Guidelines*, for withholding information.)

Note: If the LLC is a single member LLC that is disregarded for federal and California income tax purposes, then the seller is that single member. If the member is an individual, rules for individuals apply (See Form 593-C); if the member is a corporation, rules for corporations apply (Refer to Line 2); etc.

If the LLC is classified as a corporation for federal and California income tax purposes, then the seller is considered a corporation for withholding purposes. Refer to Line 2.

Line 5 – Tax-Exempt Entity
We do not require withholding if the seller is tax-exempt under either California or federal law.

Line 6 – Irrevocable Trust
An irrevocable trust is one that is bound by the conditions set forth in the trust instrument and cannot be terminated by the creators (or trustors) once created. An irrevocable trust is exempt from withholding if at least one trustee is a California resident. (Please note that a successor trustee that is a California resident does not exempt the trust from withholding unless the successor trustee has moved to a position of current responsible trustee.) However, irrevocable trusts must withhold on distributions of California source taxable income to nonresident beneficiaries. (Get FTB Pub. 1023, *Nonresident Withholding Independent Contractor, Rent & Royalty Guidelines*, for withholding information.)

Line 7 – Estate
An estate is exempt from withholding if the decedent was a California resident at the time of death. (Please note that this only applies if the estate is selling the property. We require withholding if a nonresident beneficiary, who inherited the property, is selling it.) However, estates must withhold on distributions of California source taxable income to nonresident beneficiaries. (Get FTB Pub. 1023, *Nonresident Withholding Independent Contractor, Rent & Royalty Guidelines*, for withholding information.)

Line 8 – Bank or Bank Acting as a Fiduciary for a Trust
The seller is a bank or a bank acting as a fiduciary for a trust.

Line 9 – Insurance Company, Individual Retirement Account, or Qualified Pension or Profit-Sharing Plan
The seller is an insurance company, Individual Retirement Account, or qualified pension or profit-sharing plan.

YEAR **2003**

Real Estate Withholding Exemption Certificate and Waiver Request for Non-Individual Sellers

CALIFORNIA FORM **593-W**

Part I Withholding Exemption Certificate

Seller's Information

Name	☐ CA corp. no. ☐ FEIN ☐ SOS file no. ☐ Social security no.	
Address	Private Mailbox no.	**Note:** If you do not furnish your tax ID number this certificate is void.
City, State, ZIP Code	Daytime number ( )	Ownership percentage
Property address (if no street address, provide parcel number and county)		

Read the following and check the appropriate box. **See line-by-line instructions, Part I – Withholding Exemption Certificate.**

	YES	NO
1. Is the total sales price of this property, before applying your percentage of ownership, $100,000 or less?	☐	☐
2. Is the seller a corporation that is either qualified through the California Secretary of State or has a permanant place of business in California?	☐	☐
3. Is the seller a partnership with recorded title to the property in the name of the partnership? (If yes, the partnership must still file a California tax return to report the sale and withhold on foreign and domestic nonresident partners as required. Get FTB Pub. 1017, *Nonresident Withholding Partnership Guidelines*, for withholding information.)	☐	☐
4. Is the seller (recorded title holder) a limited liability company (LLC) that is classified as a partnership and is not a disregarded single member LLC for federal and California income tax purposes? (If yes, the LLC must still file a California tax return to report the sale and withhold on foreign and domestic nonresident members as required. Get FTB Pub. 1017, *Nonresident Withholding Partnership Guidelines*, for withholding information.)	☐	☐
5. Is the seller a tax-exempt entity under either California or federal law?	☐	☐
6. Is the seller an irrevocable trust with at least one trustee who is a California resident? (If yes, the trust must still file a California tax return to report the sale and withhold when distributing California source taxable income to nonresident beneficiaries as required. Get FTB Pub. 1023, *Nonresident Withholding Independent Contractor, Rent & Royalty Guidelines,* for withholding information.)	☐	☐
7. Is the seller an estate where the decedent was a California resident at the time of death? (If yes, the estate must still file a California fiduciary tax return to report the sale and withhold when distributing California source taxable income to nonresident beneficiaries as required. Get FTB Pub. 1023, *Nonresident Withholding Independent Contractor, Rent & Royalty Guidelines,* for withholding information.)	☐	☐
8. Is the seller a bank or a bank acting as a fiduciary for a trust?	☐	☐
9. Is the seller an insurance company, Individual Retirement Account (IRA), or qualified pension/profit sharing plan?	☐	☐

Under penalties of perjury, I hereby certify that the information provided above is, to the best of my knowledge, true and correct. If conditions change, I will promptly inform the withholding agent. I understand that completing this form does **not** exempt me from filing a California income or franchise tax return to report this sale.

Seller's name and title (type or print)_____

Seller's signature_____ Date:_____

If you answered "YES" to **any** of the above questions, STOP HERE. You are exempt from the real estate withholding requirements. Provide this form to your escrow company or the buyer (withholding agent).

If you answered "NO" to **all** of the above questions, you are subject to the real estate withholding requirements. The required withholding is 3 1/3 percent of the **total** sales price. Do you expect your tax liability from the sale of this property to be substantially less than that amount? If so, would you like to request a reduced amount of withholding?

☐ Yes. Complete the Withholding Waiver Request (Part II) and send it to the Franchise Tax Board.

☐ No. STOP HERE. Your escrow officer will withhold 3 1/3 percent of the total sales price and send it to us on your behalf. Obtain the seller's copy of Form 597, *Real Estate Withholding Tax Statement* , from the escrow officer to attach to your California income tax return when you file and claim the amount withheld.

Withholding Agent: If you have a requirement to withhold, complete Form 597, *Real Estate Withholding Tax Statement*, and send one copy to us with the withholding payment and give two copies to the seller. Refer to the Form 597 Instructions.

YEAR **2003**

CALIFORNIA FORM **593-W**

Part II Withholding Waiver Request (please print or type)

Seller's Information

Name of seller (if more than one, see Part II – Withholding Waiver Request Instructions for multiple sellers)		**Seller's Entity Type** ☐ Corporation ☐ S Corporation ☐ Estate ☐ Trust	☐ California corporation no. ☐ FEIN
Mailing address	Private Mailbox no.		Seller's social security number (SSN)
City, state, and ZIP Code (province, country, and postal zone)			Seller's email address
Daytime number ( )	Ownership percentage		

Provide a brief explanation of your reason for requesting a waiver or reduced withholding. See instructions for examples of situations for which a waiver or reduced withholding is allowed and for the required information and documentation.

Property Information

Property address (if no street address, provide parcel number and county)

Seller acquired property by (check one):
☐ Purchase ☐ Inheritance ☐ Foreclosure/Repossession call **(888) 792-4900** U.S. toll-free or **(916) 845-4900**
☐ Gift ☐ 1031 Exchange
☐ Other_____

Use of property at time of sale:
☐ Rental / Commercial ☐ Vacant land
☐ Secondary / Vacation home ☐ Other (attach explanation)

Length of time used for this purpose: Years_____Months_____

Date seller acquired property

Seller's adjusted basis:
Purchase price $ _____
Add: improvements _____
Less: depreciation _____
Adjusted basis $ _____

Provide all required documentation listed in the instructions.

Escrow Information

Name and address of escrow company	Escrow company email address
	Name of escrow officer / Escrow number
	Escrow company or officer telephone number ( ) / FAX number ( )
Total sales price of property before applying your ownership interest	Estimated close of escrow date

Buyer's Information

Name of buyer (see Part II – Withholding Waiver Request Instructions if more than one)		Buyer's social security number (SSN)
Address (number and street, PO box or rural route)	Private Mailbox no.	☐ California corporation no. ☐ FEIN
City, state, and ZIP Code (province, country, and postal zone)		Buyer's spouse's SSN (if applicable)

Under penalties of perjury, I hereby certify that the information provided above is, to the best of my knowledge, true and correct. If conditions change, I will promptly inform the withholding agent and the Franchise Tax Board. I understand that completing this form does **not** exempt me from filing a California income or franchise tax return to report this sale.

Seller's name and title (type or print) _____

Seller's signature _____ Date: _____

Part II - Withholding Waiver Request Instructions

Use this section if you do not meet any of the exemptions to withholding as shown in Part I and you believe your estimated tax liability from the sale will be substantially less than the required withholding.

Caution: For sales closing on or after January 1, 2003, the law does not allow individuals to request reduced withholding from FTB. If you are an individual, you may not use this form. Get Form 593-C to see if you qualify for one of the exemptions for individuals.

We handle waiver requests for non-individuals on a case-by-case basis. Generally, we will reduce or eliminate the withholding amount when:

- The 3 1/3 percent withholding amount exceeds the estimated California tax liability from the sale. For example:

  Statutory Amount Computation:

Selling price	$250,000
Withholding rate	x 3.33%
Withholding amount	**$ 8,325**

  Reduced Amount Computation:

Gain on sale	$50,000
Maximum tax rate	x 8.84% *
Estimated tax liability	**$ 4,420**

  In this example, we will reduce the withholding amount from $8,325 to $4,420. If the documentation provided shows that the estimated tax liability would be $0 from the sale, we will grant a full waiver.

  *The current maximum tax rates are 9.3 percent for estates and trusts and 8.84 percent for corporations.

- The transaction involves an Internal Revenue Code (IRC) Section 1031 exchange, a foreclosure, or an installment sale.
- The transaction involves multiple sellers, and only some are subject to withholding.

Note: The statutory withholding amount is 3 1/3 percent of the total sales price regardless of the percentage of interest owned in the property.

Supporting Documentation

To compute your estimated tax liability, you must provide the documents listed below. We may request additional information on a case-by-case basis. Do not send original documents.

Required With All Waiver Requests

✓ The current sale escrow document (estimated or final closing statement).
✓ A list of any improvements and related costs (except for IRC Section 1031 Exchanges).
✓ The depreciation schedule (if property has been used for rental or commercial purposes). Do not provide for IRC Section 1031 exchanges.

Required for Any of the Following Situations:

If You Acquired by Purchase

✓ The grant deed for the original purchase showing the transfer tax, or
✓ The purchase escrow document (closing statement) from the original purchase.

If You Acquired by IRC Section 1031 Exchange

✓ A completed federal Form 8824, Like-Kind Exchanges, or
✓ The sales escrow statements for the property given up and purchase escrow statement for property received.

If You Inherited Through an Estate (Probate)

✓ The court documents showing the fair market value of the property at the time of inheritance.

If You Inherited Through a Trust

✓ The trust documents showing inheritance.
✓ The death certificate.
✓ The appraisal as of inheritance date.

If You Acquired Through Right of Survivorship (Joint Tenancy)

✓ The death certificate.
✓ Also include any one of the following:
- An appraisal of the property at the time of death.
- The federal Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return.
- The probate court document.
- The original purchase statement.
- The original grant deed.

If You Are Selling Using IRC Section 1031 Exchange

Include the following information in the box provided for explaining your waiver request in Seller's Information:

- Indicate this will be an IRC Section 1031 exchange,
- Indicate whether the exchange will be simultaneous or non-simultaneous,
- Provide name, address, and phone number of the intermediary or accommodator, and
- Provide address or location of the replacement property (if identified).

If it is a simultaneous exchange, withholding will still be required in escrow for any proceeds you receive.

If it is a non-simultaneous exchange, the withholding agent must transfer the proceeds from the sale directly to an intermediary or accommodator. The intermediary or accommodator must withhold from any cash or cash equivalent (boot) received by the seller.

If the exchange does not take place, or if the exchange does not qualify for nonrecognition treatment under IRC Section 1031, the withholding agent must withhold 3 1/3 percent of the total sales price of the real property sold.

If You Will Carry a Note (Installment Sales)

✓ The note agreement.

Include the following statement in the box provided for explaining your waiver request in the Seller's Information:

"As a condition to obtaining a waiver to the withholding requirement, the seller/transferor agrees to do the following:

1. *File a California income or franchise tax return for the year of the sale and any year in which principal payments are received on the note; and*
2. *Make estimated income tax payments that reflect the income tax due on principal payments received."*

If You Reacquired the Property (Foreclosure or Repossession)

- ✓ The original sale escrow document from the first time you sold the property before foreclosure.
- ✓ The original purchase escrow document (closing statement) from when you originally purchased the property.
- ✓ The statement of the amount of cash (down payment) received on the original sale before foreclosure.
- ✓ The statement of the amount of notes received or carried before foreclosure. Provide copies of the notes carried.
- ✓ The statement of the balance due remaining on the note.
- ✓ A list of foreclosure costs (the costs to get the property back).
- ✓ The calculation of the gain from the original sale.
- ✓ A copy of federal Form 6252, *Installment Sale Income*, or California form FTB 3805E, *Installment Sale Income*, filed with your tax return in the year of the original sale.
- ✓ The Deed In-Lieu of Foreclosure or Trustee's Deed Upon Sale.
- ✓ A brief chronological outline of your property ownership, from when you first acquired the property to the present.

If There Are Multiple Sellers

Enter the information for the primary nonresident seller on this form and attach a separate sheet listing the following for each additional seller:

- ✓ Name.
- ✓ Address.
- ✓ Telephone number.
- ✓ Ownership percentage.
- ✓ Entity type.
- ✓ Tax ID number.

Also state whether or not each additional non-individual seller should be included in this waiver request. If any of the additional sellers are individuals, then the withholding agent must withhold on the individual sellers unless they meet one of the exemptions on Form 593-C.

If There Are Multiple Buyers

If the buyers are husband and wife, enter both names on the form and include both social security numbers. Otherwise, enter the information for the primary buyer on this form and attach a separate sheet listing the following for each additional buyer:

- ✓ Name.
- ✓ Address.
- ✓ Tax ID number.

When to File Your Waiver Request

Complete Form 593-W, Part II, and send it to us as soon as escrow opens.

Generally, we do not accept a request for waiver or reduction after the close of escrow. We will accept the request after the close of escrow only if the parties to the transaction have instructed the withholding agent to hold the full withholding amount to allow time for waiver processing.

If you do not promptly file Form 593-W with us, and title passes to the buyer before we can process the application, there is a withholding requirement of 3 1/3 percent of the total sales price. After title has passed to the buyer and we receive the withholding amount, there is no provision to authorize an early refund. You can claim the amount withheld as a credit against your income or franchise tax liability when you file your California tax return after the end of the year.

Where to File Your Waiver Request

Fax Form 593-W, Part II, and supporting documentation to (916) 845-9512, or mail to:

WITHHOLDING SERVICES AND COMPLIANCE SECTION
FRANCHISE TAX BOARD
PO BOX 651
SACRAMENTO CA 95812-0651

If you send your request by fax, do not send the original request by mail.

After You Submit a Waiver Request to Us

We usually process applications within 45 days after receipt of all necessary information. Please wait 10 working days after faxing your request and 13 working days after mailing your request before contacting us. If you have not received a response from us by the time title transfers, you should instruct the withholding agent to hold the full withholding amount in trust up to 45 days from the date title transfers.

If we issue a withholding waiver or reduction, it applies for the limited purpose of determining the withholding obligation under Revenue and Taxation Code Section 18662. The withholding waiver or reduction does not apply to other issues that may arise in connection with the transfer. We may accept evidence submitted with a waiver request for the purpose of issuing the withholding waiver or reduction; however, this evidence may not be adequate for other issues related to the transfer.

If you receive a waiver or a reduction of withholding, you may still have a California filing requirement and a requirement to pay any tax due on the sale of the California real estate. Call (800) 852-5711 if you do not know whether you must file a California tax return.

Sellers that are S-corporations, estates, or trusts may need to flow the withholding through to shareholders or beneficiaries. For further instructions, see the following California forms:

- ☐ Form 592, Nonresident Withholding Annual Return.
- ☐ Form 592-A, Nonresident Withholding Remittance Statement.
- ☐ Form 592-B, Nonresident Withholding Tax Statement.

EXHIBIT E

SALE PROCEDURES

Sale Procedures

Set forth below are the sale procedures (the "**Sale Procedures**") to be employed with respect to the prospective sale by Pine Grove Hospital Corporation ("**Pine Grove**") and certain of its affiliated debtors, as debtors and debtors in possession (collectively, with Pine Grove, the "**Seller**"), of all or substantially all of the assets of Pine Grove (the "**Assets**"). The Seller shall seek the entry of an order from the Bankruptcy Court authorizing and approving the Sale (as hereinafter defined) to one or more Qualified Bidders (as hereinafter defined) which the Seller, in consultation with the official committee of unsecured creditors (the "**Committee**") may determine to have the highest best or otherwise financially superior offer (the "**Successful Bidder**").

Assets to be Sold

Seller is offering for sale in one or more transactions (the "**Sale**") all or substantially all of the Assets.

The Bidding Process

In general, and subject to the details and terms contained in these Sale Procedures, Seller and its advisors, in consultation with the Committee, shall (i) determine whether any person is a Potential Bidder or a Qualified Bidder (as each term is hereinafter defined), (ii) coordinate the efforts of Potential Bidders and Qualified Bidders in conducting their due diligence investigations, (iii) receive offers from Potential Bidders, (iv) select one or more offers from Potential Bidders to purchase the Assets and negotiate a Stalking Horse Bid (as hereinafter defined), (v) receive competing bids from Qualified Bidders and (vi) select a Successful Bidder (as hereinafter defined) (collectively, the "**Bidding Process**"). Any person who wishes to participate in the Bidding Process must be a Potential Bidder to submit an Initial Bid (as hereinafter defined) and a Qualified Bidder to submit a Competing Bid (as hereinafter defined) and to participate in the Auction (as hereinafter defined). Neither Seller nor its representatives shall be obligated to furnish any information of any kind whatsoever to any person who is not determined to be a Potential Bidder. Seller, in consultation with the Committee, shall have the right to adopt such other rules for the Bidding Process (including rules that may depart from those set forth herein), which rules will better promote the goals of the Bidding Process and which are not inconsistent with any of the other provisions hereof or of any Bankruptcy Court order.

Participation Requirements

Unless otherwise ordered by the Bankruptcy Court or determined by Seller, in consultation with the Committee, each person interested in participating in the Bidding Process must deliver (unless previously delivered) to Seller:

(i) An executed confidentiality agreement in substantially similar form to that attached hereto as Annex 1; and

(ii) Current audited financial statements of the Potential Bidder, or, if the Potential Bidder is an entity formed for the purpose of acquiring the Assets, current audited financial statements of the equity holder(s) of the Potential Bidder, or such other form of financial disclosure acceptable to Seller and its advisors, in consultation with the Committee, demonstrating such Potential Bidder's ability to close a proposed transaction.

Each person that delivers the documents described in subparagraphs (i) and (ii) is a "**Potential Bidder**." A "**Qualified Bidder**" is a Potential Bidder that Seller, in consultation with the Committee, determines is reasonably likely (based on financial information submitted by the Potential Bidder, the availability of financing, experience and other considerations deemed relevant by Seller, in consultation with the Committee) to submit a bona fide offer and to be able to consummate the purchase of the Assets if selected as a Successful Bidder.

No later than two business days after a Potential Bidder delivers all of the materials required by subparagraphs (i) and (ii) above, Seller shall determine, and shall notify the Potential Bidder, if such Potential Bidder is a Qualified Bidder.

A form of asset purchase agreement regarding the Pine Grove real property assets, and a form of purchase agreement regarding the Pine Grove non-real property assets (collectively, the "**Form Agreement**") will be provided to Potential Bidders beginning on April 21, 2003.

Due Diligence

The Seller may afford any Potential Bidder the opportunity to conduct reasonable due diligence of the Assets with the assistance of Pine Grove's employees. The Seller will designate an employee or other representatives to coordinate all reasonable requests for additional information and due diligence access from such Potential Bidders. The Sellers shall not be obligated to furnish any information to a Potential Bidder after the Initial Bid Deadline (as hereinafter defined).

Neither the Seller nor any of its respective representatives are obligated to furnish any information to any person other than a Potential Bidder. The Seller is not responsible for, and will bear no liability with respect to, any information obtained by Potential Bidders in connection with the sale of the Assets.

Initial Bid Deadline

A Potential Bidder who desires to make a bid (an "**Initial Bid**") shall deliver a written copy of its bid to (1) Deryck A. Palmer, Esq., Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York, 10153, (2) Andrew M. Troop, Esq., Weil,

Gotshal & Manges, 101 Federal Street, Boston, Massachusetts 02110; and (2) Thomas M. Barry, Cain Brothers & Company, LLC ("Cain Brothers"), 425 Fifth Avenue, 25th Floor, New York, New York 10018, not later than 12:00 p.m. (Eastern Daylight Time) on May 1, 2003 the day (the "**Initial Bid Deadline**").

Stalking Horse Bid Requirements

All Initial Bids must include the following documents (the "**Required Stalking Horse Bid Documents**"):

- A letter stating that the bidder's offer is irrevocable until May 15, 2003.
- An executed copy of the purchase agreement(s) marked to show modifications to the Form Agreement that the Potential Bidder proposes, including the overall purchase price contemplated by the agreement(s).
- A good faith deposit (the "**Initial Good Faith Deposit**") in the form of a certified check (or other form acceptable to Seller in its sole discretion) payable to the order of Seller (or such other party as Seller may determine) in an amount equal to ten percent (10%) of the proposed price.
- Written evidence of a commitment for financing or other evidence of the ability to consummate the Sale satisfactory to Seller with appropriate contact information for such financing sources.

Seller, in consultation with the Committee, may choose to disregard bids that are conditioned on obtaining financing or on the outcome of unperformed due diligence by the bidder.

Selection of Stalking Horse Bid

Cain Brothers shall immediately distribute copies of the bids to counsel for the Committee. On or before May 8, 2003, Seller, after consultation with the Committee, shall select one or more Potential Bidders submitting Initial Bids received by the Initial Bid Deadline (collectively, the "**Stalking Horse Bidder**") with whom the Seller shall negotiate one or more agreements (collectively, the "**Stalking Horse Bid**") for the sale of the Assets, which Stalking Horse Bid shall be subjected to an Auction to be held in accordance with the terms described hereafter.

On or before May 15, 2003, the Seller will finalize the Stalking Horse Bid in the form of one or more agreements (collectively, the "**Agreement**"), and will provide notice and a copy of the Agreement to all Potential Bidders who submitted bids by the Initial Bid Deadline and any parties who by that date have otherwise qualified as Potential Bidders. The Seller will return to each Potential Bidder not selected as the

Stalking Horse Bidder such Potential Bidder's Initial Good Faith Deposit prior to the Bid Deadline (as hereinafter defined), unless otherwise instructed by the Potential Bidder to hold such Initial Good Faith Deposit in connection with the submission of a Competing Bid (as hereinafter defined).

Auction Bid Deadline

A Qualified Bidder who desires to submit a competing bid to the Stalking Horse Bid (a "**Competing Bid**") shall deliver a written copy of its bid to (1) Deryck A. Palmer, Esq., Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York, 10153, (2) Andrew M. Troop, Esq., Weil, Gotshal & Manges, 101 Federal Street, Boston, Massachusetts 02110; and (2) Thomas M. Barry, Cain Brothers & Company, LLC, 425 Fifth Avenue, 25th Floor, New York, New York 10018, not later than 12:00 p.m. (Eastern Daylight Time) on the day that is five (5) business days after the Sellers have provided notice of the Agreement (the "**Bid Deadline**"). Cain Brothers shall immediately distribute copies of the Competing Bids to counsel for the Committee. Seller, after consultation with the Committee, shall announce the terms of the highest, best or otherwise financially superior Qualified Bid(s) received by the Bid Deadline (the "**Best Competing Bid**") no later than 5:00 p.m. (Eastern Daylight Time) on the first business day after the Bid Deadline.

Auction Bid Requirements

All Competing Bids must include the following documents (the "**Required Bid Documents**"):

- A letter stating that the bidder's offer is irrevocable until the later of (i) two business days after the Assets have been disposed of pursuant to these Sale Procedures, and (ii) 30 days after the Sale Hearing.

- An executed copy of a purchase agreement(s) marked to show modifications to the Agreement that the Qualified Bidder proposes (the "**Marked Agreement**"), including identifying the overall purchase price contemplated by the agreement(s), which must exceed the purchase price offered by Buyer by at least five percent (5%) (the "**Required Bid Value**").

- A good faith deposit (the "**Good Faith Deposit**") in the form of a certified check (or other form acceptable to Seller in its sole discretion) payable to the order of Seller (or such other party as Seller may determine) in an amount equal to ten percent (10%) of the proposed price; if Seller is holding an Initial Good Faith Deposit from such bidder, the bidder may supplement such Initial Good Faith Deposit (if necessary) to provide the Good Faith Deposit.

- Written evidence of a commitment for financing or other evidence of the ability to consummate the Sale satisfactory to Seller with appropriate contact information for such financing sources.

Seller, in consultation with the Committee, may choose to disregard Competing Bids that are conditioned on obtaining financing or on the outcome of unperformed due diligence by the bidder. A Competing bid received from a Qualified Bidder that includes all of the Required Bid Documents and meets all of the above requirements is a "**Qualified Bid**."

There is no requirement that a Qualified Bid includes more or less Assets than are covered by the Agreement. Seller, in consultation with the Committee, reserves the right to determine (i) the value of any Qualified Bid, (ii) whether any Qualified Bid (either by itself or in connection with another Qualified Bid(s) provides overall value to Seller that is equal to, or in excess of, the Required Bid Value or any other Qualified Bid and (iii) which Qualified Bid(s) constitutes the highest, best and otherwise financially superior offer. Seller's determination in this regard may include an analysis of the value (whether positive or negative) of any Assets that are included in or excluded from any Qualified Bid, the existence or absence of any escrow or indemnity and consideration of the Topping Fee (as hereinafter defined), if applicable.

Bid Protection

Recognizing the expenditure of time, energy and resources that will be incurred by the Stalking Horse Bidder(s), Seller will provide certain bidding protections to the Stalking Horse Bidder(s). Specifically, Seller has determined that the Stalking Horse Bid(s) will further the goals of the Sale Procedures by setting a floor which all other potential bids must exceed. As a result, Seller will agree to pay to the Stalking Horse Bidder(s), in certain limited circumstances as set forth in the Form Agreement (and as may be further provided in the Stalking Horse Bid(s)), a topping fee of three percent (3%) plus the cost of a Phase I environmental assessment reimbursed to Seller by the Stalking Horse Bidder(s) (the "**Topping Fee**").

"As Is, Where Is"

The sale of the Assets shall be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by Seller, its agents or their estate except to the extent set forth in the applicable agreement of the Successful Bidder as accepted by Seller. Except as otherwise provided in the applicable agreement, all of Seller's right, title and interest in and to the Assets subject thereto shall be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests thereon and there against (collectively, the "**Interests**") in accordance with section 363 and 365 of the Bankruptcy Code, with such Interests to attach to the net proceeds of the sale of the Assets.

Each Potential Bidder and each Qualified Bidder shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Assets prior to making its offer, that it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Assets in making its bid, and that it did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bidding Procedures or, as to the Successful Bidder, the terms of the sale of the Assets shall be set forth in the applicable agreement.

Auction

If one or more Qualified Bids (other than that of the Stalking Horse Bidder(s), who are deemed to be Qualified Bidders and whose Stalking Horse Bid(s) are deemed to be Qualified Bids) have been received by the Bid Deadline, Seller shall conduct an auction (the "**Auction**") with respect to the Assets. The Auction shall commence on the date that is two (2) business days after the Bid Deadline at the offices of Stutman, Treister & Glatt, Professional Corporation, 3699 Wilshire Boulevard, Los Angeles, California, 90010 commencing at 10:00 a.m. local Los Angeles, California time. Seller shall notify all Qualified Bidders who have submitted Qualified Bids of the time and place of the Auction. If there is no timely Qualified Bid (other than that of the Stalking Horse Bidder(s)), the Stalking Horse Bidder(s) shall be deemed to be the Successful Bidder.

Only a Qualified Bidder who has submitted a Qualified Bid is eligible to participate at the Auction. During the Auction, bidding shall begin initially with the Best Competing Bid and subsequently continue in minimum increments of at least $50,000. Except as otherwise disclosed herein, Seller, in consultation with the Committee, may conduct the Auction in the manner they determine will result in the highest, best or otherwise financially superior offer(s) for the Assets.

Upon conclusion of the bidding, the Auction shall be closed, and Seller, in consultation with the Committee, shall (i) immediately review each Qualified Bid or Bids on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the Sale, and (ii) within one day identify the highest, best or otherwise financially superior offer(s) for the Assets (the "**Successful Bid**" and the entity or entities submitting such Successful Bid, the "**Successful Bidder**"), which highest, best or otherwise financially superior offer(s) will provide the greatest amount of net value to Seller after payment of, among other things, the Topping Fee, if required and advise the Qualified Bidders participating in the Auction of such determination.

Acceptance of Qualified Bids

Seller shall sell the Assets to the Successful Bidder upon the approval of the Successful Bid by the Bankruptcy Court after hearing (the "**Sale Hearing**"). Seller's presentation of a particular Qualified Bid to the Bankruptcy Court for approval does not constitute Seller's acceptance of the bid. Seller will be deemed to have accepted a bid only when the bid has been approved by the Bankruptcy Court at the Sale Hearing.

Sale Hearing

The Sale Hearing will be held before the Honorable S. Martin Teel, Jr. on May 29, 2003 at ____ a.m. (Eastern Daylight Time) at the United States Bankruptcy Court for the District of Columbia, but may be adjourned or rescheduled without further notice by an announcement of the adjourned date at the Sale Hearing.

Following the Sale Hearing approving the sale of the Assets to the Successful Bidder, if such Successful Bidder fails to consummate an approved sale, the next highest or otherwise best Qualified Bid, as disclosed at the Sale Hearing, shall be deemed to be the Successful Bid and Seller shall be authorized, but not required, to consummate the sale with the Qualified Bidder submitting such bid without further order of the Bankruptcy Court.

Return of Good Faith Deposit

Good Faith Deposits of all Qualified Bidders (except for the Successful Bidder) shall be held in an interest-bearing escrow account until the Sale Hearing. If a Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, Seller shall be entitled to retain the Good Faith Deposit as part of its damages resulting from the breach or failure to perform by the Successful Bidder.

Modifications

Seller, in consultation with the Committee, may (a) determine, which Qualified Bid, if any, is the highest, best or otherwise financially superior offer; and (b) reject at any time before entry of an order of the Bankruptcy Court approving a Qualified Bid, any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bidding Procedures, or the terms and conditions of sale, or (iii) contrary to the best interests of Seller, its estates and creditors. At or before the Sale Hearing, Seller, in consultation with the Committee, may impose such other terms and conditions as Seller, in consultation with the Committee, may determine to be in the best interests of Seller' estate, its creditors and other parties in interest.

EXHIBIT F

FORM OF ESCROW AGREEMENT

ESCROW AGREEMENT

Escrow No. _____ Refer to _____
Title No. _____ Phone No. _____
Fax No. _____ Date _____

ESCROW AGREEMENT

TO: Chicago Title Insurance Company, escrow agent.

Customer Identification:
Name: _____
Property Address: 7011 Shoup Avenue, Canoga Park, California
Project Reference: _____
Proposed Distribution Date: _____

DEPOSITS:

(Certified) (Uncertified) (Cashier's) check(s) and/or wire(s) in the amount (s) of $_____representing:

1. _____.
2. _____.
3. _____.

DOCUMENT(S) DEPOSITS:

Type of Documents:

1. _____.
2. _____.
3. _____.

CONDITIONS FOR Chicago Title Insurance Company's service as escrow agent:

1. Escrow Agent is not a party to, and is not bound by, or charged with notice of any agreement out of which this escrow may arise other than this escrow agreement. This escrow agreement is being executed in connection with the Real Estate Purchase Contract dated May __, 2003 between Pine Grove Hospital Corporation (the "Seller") and Pine Grove Partners, LLC (the "Buyer").

2. Escrow Agent is acting solely as a stakeholder and depository, and is not responsible or liable in any manner whatever for the sufficiency, correctness, genuineness, or validity of the subject matter of the escrow, or for the identity or authority of any person executing or depositing it.

3. Buyer and Seller agree to jointly and severally indemnify, defend and hold harmless the Escrow Agent from and against any loss, cost, damage, expense and attorney's fee

(collectively called "Expenses") in connection with or in any way arising out of this Escrow Agreement, other than expenses resulting from the Escrow Agent's own gross negligence or willful misconduct.

4. The Escrow Agent shall be protected in acting upon any written notice, request, waiver, consent, certificate, receipt, authorization, power of attorney or other document Escrow Agent in good faith believes to be genuine and what it purports to be.The Escrow Agent may, at the joint expense of Buyer and Seller, consult with legal counsel in the event of any dispute or questions as to the construction of any provisions hereof or its duties hereunder, and it shall be fully protected in acting in accordance with the opinion or instructions of such counsel.

5. In the event of a dispute between the Buyer and Seller, the Escrow Agent may continue to hold the deposits pursuant to the terms hereof, or may, at the joint and several cost of the Buyer and Seller, deposit the same in the United States Bankruptcy Court for the District of Columbia. The Escrow Agent may dispose of the deposits in accordance with an order of said court, and shall be fully protected if it acts in accordance with any such court order.

6. Deposits made pursuant to these instructions may be invested on behalf of any party or parties hereto: Provided that any direction to the Escrow Agent for such investment shall be in writing and contain the consent of all other parties to this escrow; and also provided that the writing is on the "INVESTMENT OF ESCROW FUNDS INSTRUCTION" form of Chicago Title Insurance Company, and a completed, signed W-9 Form accompanies it. Chicago Title Insurance Company is not to be held responsible for the loss of principal or interest on any investment made pursuant to the aforesaid instruction or in the redemption thereof.

7. Except as to deposits of funds for which the Escrow Agent has received written instructions as set forth in paragraph 6 above, the funds may be commingled with other escrowed funds in a non-segregated escrow account of Chicago Title Insurance Company.

8. Funds deposited in escrow with Chicago Title Insurance Company shall only be sent, wired or distributed out of the escrow account upon joint written instructions from the Seller and the Buyer. In the case of a wire, funds may be wired out of the escrow account unless and until a duly completed and executed "AUTHORIZATION FOR OUTGOING WIRE" form is received for each proposed wire. Said form is shown on Exhibit "A" hereto. Execution of this escrow agreement is deemed an agreement by the parties to complete and execute such "AUTHORIZATIONS FOR OUTGOING WIRES" as required by Chicago Title Insurance Company, as Escrow Agent, in its sole discretion.

IN WITNESS WHEREOF, the Buyer, Seller and Escrow Agent have executed this Agreement as of the date hereinabove first written.

PINE GROVE HOSPITAL CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

Chicago Title Insurance Company
By: _____
Name:
Title:

EXHIBIT G

FORM OF SALE ORDER

UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLUMBIA

In re:	:	
GREATER SOUTHEAST COMMUNITY HOSPITAL CORPORATION I, et al.,	:	**Case No. 02- 2250 (SMT)**
	:	**Jointly Administered**
Debtors.	:	**(Chapter 11)**

ORDER GRANTING AUTHORITY TO SELL SUBSTANTIALLY ALL ASSETS OF PINE GROVE HOSPITAL CORPORATION FREE AND CLEAR OF ALL LIENS, INTERESTS, CLAIMS AND ENCUMBRANCES

At Washington, D.C., May_____, 2003.

This matter came before me on the April 18, 2003 *Motion for (a) Approval of Sale Procedures and (b) Authority to Sell Substantially all Assets of Pine Grove Hospital Corporation Free and Clear of All Liens, Interests, Claims and Encumbrances* (the "Motion") of Pine Grove Hospital Corporation ("Pine Grove") and certain of its affiliated debtors,[1] as debtors and debtors in possession (collectively, with Pine Grove, the "Debtors"). The Motion requested that I approve the Sale Procedures (as defined in the Motion) and authorize the sale of the Pine Grove assets as provided in the Motion. The Sale Procedures have been authorized by a separate order entered on May 7, 2003 (the "Sale Procedures Order"). This Order addresses the sale of the Pine Grove assets.

[1] The affiliated debtors are PACIN-Hadley Memorial Hospital Corporation of Washington, D.C. ("Hadley"), Michael Reese Medical Center Corporation of Chicago, Illinois ("Michael Reese"), Pacifica Hospital of the Valley Corporation of Sun Valley, California ("Pacifica"), Greater Southeast Community Hospital Corporation I of Washington, D.C. ("Greater Southeast") and their ultimate parent corporation, Doctors Community Hospital Corporation ("DCHC").

The Court, having considered the Motion, the circumstances of this case, the arguments of counsel and the record established at the hearing on May 30, 2003 (the "Sale Hearing"), and the Purchase Agreement (as hereinafter defined) hereby **FINDS** as follows:

1. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §1334. Consideration of this matter is a core proceeding pursuant to 28 U.S.C. §157(b). Venue of this proceeding is proper before this Court pursuant to 28 U.S.C. §§1408 and 1409.

2. In light of the Debtors' current condition, including the loss of the LPS Designation (as defined in the Motion) for Pine Grove and the continuing operational losses associated with the Pine Grove assets, the sale of the Pine Grove assets pursuant to sections 363, 365 and 1146 of the Bankruptcy Code and rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure, and in compliance with the Sale Procedures Order, is in the best interests of the Debtors' estates.

3. The requirements for a sale of substantially all the assets of Pine Grove pursuant to section 363 of the Bankruptcy Code are satisfied.

a. The sale of the Pine Grove assets is supported by the sound business judgment of the Debtors' management.

b. The Debtors have provided reasonable and adequate notice of the sale to interested parties.

c. The sale price, achieved through compliance with the Sale Procedures, is fair and reasonable, and the Debtors are receiving reasonably equivalent fair value for the assets.

d. The process of the selection of the Stalking Horse Bidder (as defined in the Motion) and the competitive bidding process culminating in the auction were conducted in a manner consistent with the requirements of good faith on the part of the Debtors.

_____, (the "Successful Bidder") is a good faith purchaser as that term is used in section 363(m) of the Bankruptcy Code and is entitled to the protections thereof.

4. The requirements of section 363(f) of the Bankruptcy Code are satisfied, in that any party holding an Encumbrance (as defined in the Motion) has consented to the sale of the Pine Grove assets free and clear of such Encumbrance, or could be compelled to accept a money satisfaction of such Encumbrance.

5. The assumption and assignment of executory contracts and unexpired leases as designated by the Successful Bidder and listed on Exhibit A hereto is approved. Any party to an executory contract or unexpired lease who objects to the proposed assumption and assignment of such contract or lease to the Successful Bidder had sufficient notice and opportunity to be heard regarding such objection at the Sale Hearing.

6. The sale of the Pine Grove assets will put an end to continuing losses associated with those assets, enhance the Debtors' liquidity, and thereby increase the ability of the Debtors to formulate and propose a plan of reorganization. Accordingly, it is appropriate that the provisions of section 1146(c) of the Bankruptcy Code be applied to the sale and the sale should not be taxed under any law imposing a stamp or similar tax.

7. Under the circumstances, due and proper notice of the Motion was given and no other or further notice is required.

Accordingly, it is hereby **ORDERED**:

A. Any objections to the sale of the Pine Grove assets to the Successful Bidder pursuant to the agreement attached as Exhibit B hereto (the "Purchase Agreement"), to the extent not previously withdrawn, are hereby overruled.

B. The sale of the Pine Grove assets to the Successful Bidder pursuant to the Purchase Agreement shall be and hereby is approved on the terms and conditions set forth in the Purchase Agreement, the terms and conditions of which are approved in all respects.

C. Pursuant to section 363(f) of the Bankruptcy Code, the assets conveyed by the Purchase Agreement shall be transferred to the Successful Bidder free and clear of any Encumbrances, with any such Encumbrances to attach to the proceeds of the sale in the order of their priority, with the same validity, force and effect which they now have against the assets conveyed by the Purchase Agreement. Such proceeds shall be applied by the Debtors in accordance with any debtor-in-possession financing now in place or, if no such facility is in place, the proceeds shall be held by the Debtors and used by them in accordance with any cash collateral order now in place.

D. The assumption and assignment to the Successful Bidder of the executory contracts and unexpired leases on Exhibit A hereto is approved.

E. The Purchase Agreement and the transfer of the assets thereunder is not subject to taxation under any state or local law imposing a stamp, transfer or similar tax.

F. This Order shall become effective and enforceable immediately upon entry, and the ten day stay of rules 6004(g) and 6006(d) of the Federal Rules of Bankruptcy Procedure is hereby waived.

G. This Court retains jurisdiction (i) to enforce and implement the terms and provisions of the Purchase Agreement, all amendments thereto, any waivers and consents thereunder, and of each of the agreements executed therewith, (ii) to resolve any disputes arising

under or related to the sale of the Pine Grove assets pursuant to the Purchase Agreement, and (iii) to interpret, implement and enforce the provisions of this Order.

Dated: Washington, DC
May ___, 2003

S. Martin Teel, Jr.
United States Bankruptcy Judge

ESCROW AGREEMENT

Escrow No. _____
Title No. 1223-0940
Fax No. 212-88-1403

Refer to _____
Phone No. 212-880-1296
Date: May 27, 2003

ESCROW AGREEMENT

TO: Chicago Title Insurance Company, escrow agent.

Customer Identification:
Name: Pine Grove Hospital Corporation
Property Address: 7011 Shoup Avenue, Canoga Park, California
Project Reference: none
Proposed Distribution Date: June 5, 2003

DEPOSITS:

1. Certified check(s) in the amount (s) of $530,000.00 and $165,000.00.

DOCUMENT(S) DEPOSITS:

Type of Documents:
1. _____.
2. _____.
3. _____.

CONDITIONS FOR Chicago Title Insurance Company's service as escrow agent:

1. Escrow Agent is not a party to, and is not bound by, or charged with notice of any agreement out of which this escrow may arise other than this escrow agreement. This escrow agreement is being executed in connection with the Real Estate Purchase Contract dated May 27, 2003 between Pine Grove Hospital Corporation (the "Seller") and Pine Grove Partners, LLC (the "Buyer").

2. Escrow Agent is acting solely as a stakeholder and depository, and is not responsible or liable in any manner whatever for the sufficiency, correctness, genuineness, or validity of the subject matter of the escrow, or for the identity or authority of any person executing or depositing it.

3. Buyer and Seller agree to jointly and severally indemnify, defend and hold harmless the Escrow Agent from and against any loss, cost, damage, expense and attorney's fee (collectively called "Expenses") in connection with or in any way arising out of this Escrow Agreement, other than expenses resulting from the Escrow Agent's own gross negligence or willful misconduct.

4. The Escrow Agent shall be protected in acting upon any written notice, request, waiver, consent, certificate, receipt, authorization, power of attorney or other document Escrow Agent in good faith believes to be genuine and what it purports to be. The Escrow Agent may, at the joint expense of Buyer and Seller, consult with legal counsel in the event of any dispute or questions as to the construction of any provisions hereof or its duties hereunder, and it shall be fully protected in acting in accordance with the opinion or instructions of such counsel.

5. In the event of a dispute between the Buyer and Seller, the Escrow Agent may continue to hold the deposits pursuant to the terms hereof, or may, at the joint and several cost of the Buyer and Seller, deposit the same in the United States Bankruptcy Court for the District of Columbia. The Escrow Agent may dispose of the deposits in accordance with an order of said court, and shall be fully protected if it acts in accordance with any such court order.

6. Deposits made pursuant to these instructions may be invested on behalf of any party or parties hereto: Provided that any direction to the Escrow Agent for such investment shall be in writing and contain the consent of all other parties to this escrow; and also provided that the writing is on the "INVESTMENT OF ESCROW FUNDS INSTRUCTION" form of Chicago Title Insurance Company, and a completed, signed W-9 Form accompanies it. Chicago Title Insurance Company is not to be held responsible for the loss of principal or interest on any investment made pursuant to the aforesaid instruction or in the redemption thereof.

7. Except as to deposits of funds for which the Escrow Agent has received written instructions as set forth in paragraph 6 above, the funds may be commingled with other escrowed funds in a non-segregated escrow account of Chicago Title Insurance Company.

8. Funds deposited in escrow with Chicago Title Insurance Company shall only be sent, wired or distributed out of the escrow account upon joint written instructions from the Seller and the Buyer. In the case of a wire, funds may be wired out of the escrow account unless and until a duly completed and executed "AUTHORIZATION FOR OUTGOING WIRE" form is received for each proposed wire. Said form is shown on Exhibit "A" hereto. Execution of this escrow agreement is deemed an agreement by the parties to complete and execute such "AUTHORIZATIONS FOR OUTGOING WIRES" as required by Chicago Title Insurance Company, as Escrow Agent, in its sole discretion.

IN WITNESS WHEREOF, the Buyer, Seller and Escrow Agent have executed this Agreement as of the date hereinabove first written.

PINE GROVE HOSPITAL CORPORATION

By: _____
Name:
Title:

SHARON EVENHAIM

By: _____
Name: Sharon Evenhaim
Title:

Chicago Title Insurance Company
By: _____
Name: Mitchell Gluck
Title: Underwriting Counsel

EXHIBIT B
TO
ORDER GRANTING AUTHORITY TO SELL SUBSTANTIALLY ALL ASSETS OF PINE GROVE HOSPITAL CORPORATION FREE AND CLEAR OF ALL LIENS, INTERESTS, CLAIMS AND ENCUMBRANCES

DESCRIPTION

PARCEL 1:

THAT PORTION OF LOT 963 OF TRACT 1000, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 19 PAGES 1 THROUGH 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING SOUTHERLY OF A LINE PARALLEL WITH AND 40 FEET SOUTHERLY MEASURED AT RIGHT ANGLES OR RADIALLY FROM THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT OF INTERSECTION OF THE CENTER LINE OF "FALLBROOK AVENUE", AS ESTABLISHED BY THE ENGINEER OF THE CITY OF LOS ANGELES, AND SHOWN IN FIELD BOOK 10659 PAGES 6, 17 AND 23, WITH A LINE WHICH IS PARALLEL WITH AND 40 FEET NORTHERLY, MEASURED AT RIGHT ANGLES FROM THE SOUTHERLY LINES OF LOTS 960 AND 963 FOR SAID TRACT NO. 1000; THENCE ALONG SAID PARALLEL LINE SOUTH 89 DEGREES 57 MINUTES 41 SECONDS EAST 797.36 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 800 FEET; THENCE NORTHEASTERLY ALONG SAID CURVE, 369.32 FEET; THENCE TANGENT TO SAID LAST MENTIONED CURVE, NORTH 63 DEGREES 35 MINUTES 16 SECONDS EAST 162.75 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE TO THE SOUTHEAST HAVING A RADIUS OF 800 FEET; THENCE NORTHEASTERLY ALONG SAID LAST MENTIONED CURVE, 369.32 FEET TO THE POINT OF TANGENCY WITH A LINE WHICH IS PARALLEL WITH AND 280 FEET NORTHERLY MEASURED AT RIGHT ANGLES FROM SAID SOUTHERLY LINE OF LOT 963; THENCE FROM SAID LAST MENTIONED POINT OF TANGENCY AND ALONG SAID LINE WHICH IS PARALLEL WITH AND 280 FEET NORTHERLY FROM THE SOUTHERLY LINE OF LOT 963, SOUTH 89 DEGREES 57 MINUTES 41 SECONDS EAST 984.99 FEET TO THE CENTER LINE OF SHOUP AVENUE, AS ESTABLISHED BY SAID ENGINEER AND SHOWN IN ENGINEER'S FIELD BOOK 15209 PAGE 4, OFFICIAL RECORDS.

EXCEPT THEREFROM THAT PORTION OF THE EASTERLY 2 FEET THEREOF, INCLUDED WITHIN THE LINES OF THE LAND CONVEYED TO THE COUNTY OF LOS ANGELES, BY DEED RECORDED IN BOOK 5632 PAGE 163 OF DEEDS, RECORDS OF SAID COUNTY.

ALSO EXCEPT THEREFROM THAT PORTION OF SAID LOT 963, DESCRIBED AS PARCEL NO. 79 IN THE FINAL ORDER OF CONDEMNATION, LOS ANGELES COUNTY SUPERIOR COURT, CASE NO. 770047, A CERTIFIED COPY OF WHICH ORDER WAS RECORDED NOVEMBER 5, 1962 AS INSTRUMENT NO. 4854 IN BOOK D-1813 PAGE 840 OF OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM ONE-HALF OF ALL MINERALS, COAL, OILS, PETROLEUM AND KINDRED SUBSTANCES AND NATURAL GAS UNDER SAID LAND, AS RESERVED BY CHARLOTTE H. LEE, A WIDOW, IN DEED RECORDED SEPTEMBER 8, 1955 IN BOOK 488891 PAGE 342, OFFICIAL RECORDS.

PARCEL 2:

THAT PORTION OF LOT 960 OF TRACT 1000, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 19 PAGES 1 THROUGH 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING SOUTHERLY OF THE SOUTHERLY LINE OF THAT CERTAIN 80.00 FOOT CONTROL CHANNEL DESCRIBED AS PARCEL 32 IN THE FINAL DECREE OF CONDEMNATION ENTERED IN THE LOS ANGELES COUNTY SUPERIOR COURT, CASE NO. 547785, A CERTIFIED COPY THEREOF BEING RECORDED IN BOOK 29634 PAGE 101, OFFICIAL RECORDS.

EXCEPT THEREFROM ALL MINERALS, COAL, OILS, PETROLEUM AND KINDRED SUBSTANCES AND NATURAL GAS UNDER AND IN SAID LAND, AS CONVEYED TO CARMEN B. FLORES, A WIDOW, AND SANTOS HOJO, A SINGLE MAN, AS JOINT TENANTS, BY DEED RECORDED JANUARY 19, 1951 IN BOOK 35361 PAGE 352, OFFICIAL RECORDS.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLUMBIA

FILED AND ENTERED
MAY 30 2003
Denise H. Curtis, Clerk
U.S. Bankruptcy Court for D.C.

In re:	
GREATER SOUTHEAST COMMUNITY HOSPITAL CORPORATION I, et al.,	**Case No. 02- 2250 (SMT)**
	Jointly Administered
Debtors.	**(Chapter 11)**

ORDER GRANTING AUTHORITY TO SELL SUBSTANTIALLY ALL ASSETS OF PINE GROVE HOSPITAL CORPORATION FREE AND CLEAR OF ALL LIENS, INTERESTS, CLAIMS AND ENCUMBRANCES

At Washington, D.C., May 30, 2003.

This matter came before me on the April 18, 2003 *Motion for (a) Approval of Sale Procedures and (b) Authority to Sell Substantially all Assets of Pine Grove Hospital Corporation Free and Clear of All Liens, Interests, Claims and Encumbrances* (the "Motion") of Pine Grove Hospital Corporation ("Pine Grove") and certain of its affiliated debtors,[1] as debtors and debtors in possession (collectively, with Pine Grove, the "Debtors"). The Motion requested that I approve the Sale Procedures (as defined in the Motion) and authorize the sale of the Pine Grove assets as provided in the Motion. The Sale Procedures have been authorized by a separate order entered on May 7, 2003 (the "Sale Procedures Order"). This Order addresses the sale of the Pine Grove assets.

[1] The affiliated debtors are PACIN-Hadley Memorial Hospital Corporation of Washington, D.C. ("Hadley"), Michael Reese Medical Center Corporation of Chicago, Illinois ("Michael Reese"), Pacifica Hospital of the Valley Corporation of Sun Valley, California ("Pacifica"), Greater Southeast Community Hospital Corporation I of Washington, D.C. ("Greater Southeast") and their ultimate parent corporation, Doctors Community Hospital Corporation ("DCHC").

760

The Court, having considered the Motion, the circumstances of this case, the arguments of counsel and the record established at the hearing on May 30, 2003 (the "Sale Hearing"), and the Purchase Agreement (as hereinafter defined) hereby **FINDS** as follows:

1. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §1334. Consideration of this matter is a core proceeding pursuant to 28 U.S.C. §157(b). Venue of this proceeding is proper before this Court pursuant to 28 U.S.C. §§1408 and 1409.

2. In light of the Debtors' current condition, including the loss of the LPS Designation (as defined in the Motion) for Pine Grove and the continuing operational losses associated with the Pine Grove assets, the sale of the Pine Grove assets pursuant to sections 363, 365 and 1146 of the Bankruptcy Code and rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure, and in compliance with the Sale Procedures Order, is in the best interests of the Debtors' estates.

3. The requirements for a sale of substantially all the assets of Pine Grove pursuant to section 363 of the Bankruptcy Code are satisfied.

a. The sale of the Pine Grove assets is supported by the sound business judgment of the Debtors' management.

b. The Debtors have provided reasonable and adequate notice of the sale to interested parties.

c. The sale price of $6,950,000 (the "Sale Price"), achieved through compliance with the Sale Procedures, is fair and reasonable, and the Debtors are receiving reasonably equivalent fair value for the assets.

d. The process of the selection of the Stalking Horse Bidder (as defined in the Motion) and the competitive bidding process culminating in the auction were conducted in a manner consistent with the requirements of good faith on the part of the Debtors. Sharon

Evenhaim (the "Successful Bidder") is a good faith purchaser as that term is used in section 363(m) of the Bankruptcy Code and is entitled to the protections thereof.

4. The requirements of section 363(f) of the Bankruptcy Code are satisfied, in that any party holding an Encumbrance (as defined in the Motion) has consented to the sale of the Pine Grove assets free and clear of such Encumbrance, or could be compelled to accept a money satisfaction of such Encumbrance.

5. The Successful Bidder is acquiring only the real property, buildings and fixtures of Pine Grove as set forth in the agreement attached as Exhibit A (the "Purchase Agreement"). The legal description of the real property (the "Real Property") is set forth on the attached Exhibit B.

6. The Successful Bidder is not acquiring any personal property of Pine Grove or having assigned to him any executory contract or lease of Pine Grove. Pine Grove has ninety days from the closing of the transaction to remove or otherwise dispose of any personal property from the Real Property premises pursuant to the terms of the Purchase Agreement.

7. The sale of the Pine Grove assets will put an end to continuing losses associated with those assets, enhance the Debtors' liquidity, and thereby increase the ability of the Debtors to formulate and propose a plan of reorganization. Accordingly, there is an argument that it is appropriate that the provisions of section 1146(c) of the Bankruptcy Code be applied to the sale and the sale should not be taxed under any law imposing a stamp or similar tax.

8. Under the circumstances of this case, due and proper notice of the Motion was given and no other or further notice is required.

9. Because the Successful Bidder is not the Stalking Horse Bidder, the Stalking Horse Bidder (Ted Stein) is entitled to be paid the Topping Fee upon closing with the Successful Bidder.

10. The Stalking Horse Bidder was the second highest bidder at the auction with a bid of $6,900,000, subject to a credit for the Topping Fee (the "Second Highest Bid"). If for any reason, the Successful Bidder is unable to close in accordance with the Purchase Agreement, it is in the best interest of these estates for the assets to be conveyed to the Stalking Horse Bidder in accordance with the terms and conditions of this Order for the amount of the Second Highest Bid.

Accordingly, it is hereby **ORDERED**:

A. Any objections to the sale of the Pine Grove assets to the Successful Bidder pursuant to the Purchase Agreement, to the extent not previously withdrawn, are hereby overruled.

B. The sale of the Pine Grove assets to the Successful Bidder pursuant to the Purchase Agreement shall be and hereby is approved on the terms and conditions set forth in the Purchase Agreement, the terms and conditions of which are approved in all respects.

C. Pursuant to section 363(f) of the Bankruptcy Code, the assets conveyed by the Purchase Agreement shall be transferred to the Successful Bidder free and clear of any Encumbrances, with any such Encumbrances to attach to the proceeds of the sale in the order of their priority, with the same validity, force and effect which they now have against the assets conveyed by the Purchase Agreement. These proceeds shall be applied by the Debtors in accordance with this Court's May 8, 2003 Final Order (1) Authorizing Debtors To Obtain Secured Postpetition Financing, (2) Granting Liens And Superpriority Claims Pursuant To 11 U.S.C. § § 363 And 364, (3) Granting Adequate Protection, And (4) Modifying Automatic Stay.

D. The Purchase Agreement and the transfer of the assets thereunder is not subject to taxation under any state or local law imposing a stamp, transfer or similar tax, to the extent that 11 U.S.C. §1146(c) is determined to apply. (H.T.)

E. This Order shall become effective and enforceable immediately upon entry, and the ten day stay of rules 6004(g) and 6006(d) of the Federal Rules of Bankruptcy Procedure is hereby waived.

F. This Court retains jurisdiction (i) to enforce and implement the terms and provisions of the Purchase Agreement, all amendments thereto, any waivers and consents thereunder, and of each of the agreements executed therewith, (ii) to resolve any disputes arising under or related to the sale of the Pine Grove assets pursuant to the Purchase Agreement, and (iii) to interpret, implement and enforce the provisions of this Order.

G. All attached exhibits are incorporated into this Order by reference.

H. Upon closing with the Successful Bidder, the Stalking Horse Bidder shall be paid the Topping Fee of $150,000.

I. If the Successful Bidder should fail to close, the assets to be conveyed pursuant to the Purchase shall be conveyed to the Stalking Horse Bidder in exchange for the Second Highest Bid, and the Stalking Horse Bidder shall, for all purposes, be deemed the Successful Bidder under the is Order; provided that in this circumstance, paragraph H above shall be deemed stricken.

Dated: Washington, DC
May 30, 2003

S. Martin Teel, Jr.
United States Bankruptcy Judge

CC:

B. Amon James, Esq.
Office of the United States Trustee
115 South Union St., Plaza Level
Suite 210
Alexandria, Virginia 22314

Kevyn D. Orr, Esq.
Jones Day
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Washington, D.C. 20001
(Counsel for National Century Financial Enterprises, Inc)

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(Counsel for the Joint Committee of Unsecured Creditors)

Michael Goodstein
Arter & Hadden
1801 K Street N.W. Suite 3001
Washington, D.C. 20006
(Counsel for Provident)

COPIES MAILED TO THE ABOVE NAMED
THIS 30 DAY OF May, 2003
Sally Myers
DEPUTY CLERK

EXHIBIT A
TO
ORDER GRANTING AUTHORITY TO SELL SUBSTANTIALLY ALL ASSETS OF PINE GROVE HOSPITAL CORPORATION FREE AND CLEAR OF ALL LIENS, INTERESTS, CLAIMS AND ENCUMBRANCES

REAL ESTATE PURCHASE CONTRACT

This Real Estate Purchase Contract (this "**Contract**") is entered into as of the 27th day of May, 2003 (the "**Execution Date**") by and between PINE GROVE HOSPITAL CORPORATION, a Delaware corporation having an address at 7011 Shoup Avenue, Canoga Park, California ("**Seller**"), and Sharon Evenhaim having an address at 8211 Remmet Street, Canoga Park , California 91304 ("**Purchaser**").

RECITALS:

A. On November 20, 2002 (the "**Petition Date**"), Seller commenced a voluntary case for reorganization (the "**Bankruptcy Case**") under Chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101-1330 (the "**Bankruptcy Code**"), in the United States Bankruptcy Court for the District of Columbia (the "**Bankruptcy Court**").

B. Seller desires to sell and Purchaser desires to purchase from Seller certain real property on the terms and subject to the conditions set forth herein.

In consideration of the representations and covenants set forth herein, Purchaser and Seller hereby agree as follows:

1. **Purchase and Sale**. Seller agrees to sell to Purchaser, and Purchaser agrees to buy from Seller, in accordance with the terms, conditions and stipulations set forth in this Contract, all of Seller's right, title and interest in and to (i) that certain parcel of real property located at 7011 Shoup Avenue, Canoga Park, California, as more particularly described in Exhibit A, and any and all buildings, structures, fixtures and other improvements affixed or located thereon and rights and appurtenances pertaining thereto (the "**Real Property**"), (ii) all plans and specifications; engineering plans and studies; floor plans and landscape plans pertaining to the Real Property in Seller's possession, (iii) all mineral, oil and gas rights, water rights, sewer rights and other utility rights allocated to the Real Property, (iv) all appurtenances, easements, licenses, privileges and other property interests belonging or appurtenant to the Real Property, and (v) all right, title and interest of Seller in and to any roads, streets and ways, public and private, serving the Real Property (including, without limitation, all rights to develop the land granted by governmental entities having jurisdiction over said land) (all of the foregoing items in (i)-(v) above, collectively, the "**Property**").

2. **Payment of Purchase Price**. The total purchase price (the "**Purchase Price**") to be paid to Seller by Purchaser for the Property is: (i) $6,950,000.00 (Five Million Three-Hundred Thousand Dollars). Upon execution of this Contract, Purchaser shall deposit with Chicago Title Insurance Company (the "**Earnest Money Escrow Agent**") an amount equal to ten percent (10%) (that is, $695,000.00) in immediately available funds. Such deposit shall be held by the Earnest Money Escrow Agent in an interest-bearing account reasonably acceptable to Seller and Purchaser in accordance with the terms, and conditions of an escrow agreement in the form attached hereto as Exhibit F. Said sum together with any interest earned thereon or any additions made thereto shall be referred to herein as the "**Deposit**." At the time of closing of this

transaction (the "**Closing**"), the Deposit shall be applied toward the Purchase Price. At Closing, Purchaser shall remit the remainder of the Purchase Price by wire transfer of immediately available funds to the Earnest Money Escrow Agent for the account of Seller. In addition, at Closing, Purchaser shall reimburse Seller for any costs incurred by Seller in connection with an updated Phase I environmental site assessment of the Property completed in April 2003 delivered to Purchaser by Seller (the "**2003 Phase I**").

3. **Title and Survey**. On or prior to the date hereof, Seller has delivered to Purchaser a title insurance commitment (the "**Title Binder**") from Chicago Title Insurance Co, 711 Third Avenue, New York, New York 10017 (Attn: Robert Simins) (the "**Title Company**") and a current ALTA Survey of the Property, as each are more particularly described on Exhibit B. Purchaser has approved the state of title to the Property and all matters, other than exceptions 2, 3, 4 and 5 of Schedule B to the Title Binder, disclosed in the Title Binder and Survey (the "**Permitted Encumbrances**"). At Closing, Purchaser shall obtain an ALTA Extended owner's policy of title insurance policy from the Title Company insuring Purchaser's fee estate in the Property, showing no exceptions other than the Permitted Encumbrances and containing the endorsements reasonably requested by Purchaser (the "**Title Policy**") and shall pay all premiums and costs and expenses in connection therewith. The Title Company's commitment to issue the Title Policy at Closing shall be a condition to Closing.

4. **Condition of Property**.

A. The Property is being sold in "AS IS" condition without any representations and warranties of Seller whatsoever other than as specified in Section 11. Seller shall deliver the Property at Closing in materially the same condition as existed on the Execution Date, ordinary wear and tear excepted.

B. Purchaser hereby releases Seller from and waives all claims, demands, actions, and causes of action that Purchaser might otherwise have the right to bring against Seller and its estate for damages, losses, or expenses or injuries arising out of the condition of the Property, including, but not limited to claims, demands, actions, and causes of action for damages, losses, expenses or injuries arising out of preexisting environmental conditions.

C. Seller shall have the right but not the obligation to remove from the Real Property all equipment, inventory and other personal property of Seller which does not constitute Property ("**Excluded Property**"). To the extent such Excluded Property reasonably cannot be removed prior to the Closing, Purchaser hereby grants Seller limited license to enter the Property, upon not less than one (1) business day's prior written notice to Purchaser and at times and locations mutually agreed upon between Seller and Purchaser, to remove the Excluded Property within a reasonable time after Closing, but in no event later than 90 days after Closing.

5. **Defects in Title**. Seller shall convey title to the Property by grant deed. Title shall be subject to all matters that are disclosed in the Title Binder and the ATLA Survey.

6. **Closing**. The Closing shall take place at the offices of Earnest Money Escrow Agent at the address set forth in Section 17, beginning at 10:00 a.m., local time, on the fifth (5^{th})

business day after the date on which the Sale Order (as defined below) is entered and following the satisfaction or waiver of all conditions or obligations of the parties hereto to consummate the transactions set forth herein (other than conditions with respect to actions to be taken by the parties hereto at the Closing), or at such other location or on such other date as may be mutually agreed upon by the parties hereto or as ordered by the Bankruptcy Court.

7. **Prorations and Adjustments at Closing**. Ad valorem and similar taxes assessed against the Property shall be prorated between Seller and Purchaser at the time of Closing on the basis of a 365-day year, with the Purchaser liable for ad valorem and similar taxes assessed against the Property for the period from and after the day of Closing. Any then-due but unpaid special assessments, special improvement district or taxing district levies, shall be prorated in the same manner as ad valorem taxes. Seller and Purchaser shall also prorate at the time of Closing all utility charges and any other operating expenses or other items pertaining to the Property that are customarily prorated between sellers and purchasers in California commercial real property sales. There shall be no charge to Purchaser for supplies on hand, if any, relating to the operation and maintenance of the Property, all of which shall be transferred to Purchaser. The foregoing obligations shall survive the Closing.

8. **Transaction Costs**. Seller shall be responsible for the cost of preparing the deed. At Closing, Purchaser shall reimburse Seller for the cost of the Title Binder and the Survey. Purchaser shall pay the cost of conducting its due diligence studies, the Title Policy, the state and local recording taxes, recording fees, the escrow charges imposed by the Earnest Money Escrow Agent, and transfer taxes required to be paid. Each party shall pay its own attorneys', brokers' and consultants' fees.

9. **Grant Deed and Other Documents Required for Closing**.

A. At the Closing, Seller shall deliver the following:

(i) A grant deed, conveying fee simple title to the Property, in the form annexed hereto as Exhibit C;

(ii) Such documents evidencing the legal status, good standing and authority of Seller and any other documents that may be required by the Title Company from Seller for issuance of the Title Policy;

(iii) An affidavit duly executed by Seller stating that Seller is not a "foreign person" as defined in the Federal Foreign Investment in Real Property Tax Act of 1980 and 1984 Tax Reform Act, in the form annexed hereto as Exhibit D;

(iv) A California Form 593-W, properly completed and executed by Seller, the form of which is attached hereto as Exhibit D-1;

(v) A true and correct, certified copy of the order of the Bankruptcy Court approving the sale of the Property to Purchaser, which order must be substantially in the form of the "Order Granting Authority to Sell Substantially All Assets of Pine Grove Hospital Corporation Free and Clear of All Liens, Interests, Claims and Encumbrances" attached to the

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"Motion for Orders (A) Approving Sale Procedures and (B) Authorizing Sale of Substantially all Assets of Pine Grove Hospital Corporation Free and Clear of All Liens, Interests, Claims and Encumbrances," attached hereto as Exhibit G with such changes as are reasonably acceptable to Purchaser and Seller (the "**Sale Order**");

(vi) Such additional documents as shall be reasonably required to consummate the sale and transfer of the Property contemplated by this Contract; and

(vii) A closing statement.

B. At the Closing, Purchaser shall deliver the following:

(i) The Purchase Price, less the Deposit, in cash or immediately available funds;

(ii) Such documents evidencing the legal status, good standing and authority of Purchaser and any other documents that may be required by the Title Company from Purchaser for issuance of the Title Policy;

(iii) Such additional documents as shall be reasonably required to consummate the sale and transfer of the Property contemplated by this Contract; and

(iv) A closing statement.

10. Possession. Possession of the Property, free and clear of all tenants or other parties in possession (including, without limitation, all of Seller's employees, agents, contractors, representatives, clients and patients), shall be delivered to Purchaser on the day of Closing.

11. Representations and Warranties.

A. Seller represents and warrants the following to Purchaser as of the Closing:

(i) Subject to Section 28 herein: (a) Seller has the full right, power and authority to sell and convey the Property to Purchaser as provided in this Contract and to carry out Seller's obligations hereunder; (b) all requisite corporate or other actions necessary to authorize Seller to enter into this Contract and to perform its obligations thereunder have been taken; and (c) the execution, delivery and performance by Seller of this Contract will not conflict with or cause a default under any other agreement.

(ii) Seller is duly organized, validly existing and in good standing in the State of Delaware.

(iii) Subject to Section 28 herein, the person executing this Contract on behalf of Seller is duly empowered to do so and thus to bind Seller to perform in compliance with the Contract.

(iv) Seller has terminated its operations at the Property and there are (a) no tenants at the Property or (b) no other persons in possession of the Property in any capacity.

Notwithstanding the foregoing or any other provision of this Contract, in the event that Purchaser has actual knowledge of such facts or disclosure of circumstances that are at variance with any of Seller's representations or warranties, and if Purchaser thereafter consummates Closing, Purchaser shall be deemed to have accepted such variant facts and circumstances and Seller's representations and warranties shall be deemed excised or modified to comport with such variant facts and circumstances.

B. Purchaser represents and warrants to Seller, as a material condition to Seller's obligations pursuant to this Contract, that, as of the date of Closing, (i) Purchaser has the full right, power and authority to purchase the Property as provided in this Contract and to carry out Purchaser's obligations hereunder; (ii) all requisite actions necessary to authorize Purchaser to enter into this Contract and to perform its obligations thereunder have been taken; and (iii) the execution, delivery and performance by Purchaser of this Contract will not conflict with or cause a default under any other agreement.

C. **Termination.** This Contract may be terminated at any time prior to the Closing:

(i) By the mutual written consent of Seller and Purchaser;

(ii) By Seller (if Seller is not then in material breach of any term of this Contract), if Purchaser shall (i) fail to perform in any material respect its agreements contained herein required to be performed on or prior to the Closing; or (ii) materially breach any of its representations or warranties contained herein, which failure or breach is not cured within ten (10) days after Seller has notified Purchaser of its intent to terminate this Contract pursuant to this subparagraph;

(iii) By Purchaser (if Purchaser is not then in material breach of any term of this Contract), if Seller shall (i) fail to perform in any material respect its agreements contained herein required to be performed on or prior to the Closing; or (ii) materially breach any of its representations or warranties contained herein, which failure or breach is not cured within ten (10) days after Purchaser has notified Seller of its intent to terminate this Contract pursuant to this subparagraph;

(iv) By either Seller or Purchaser, if the Closing has not occurred by noon on June 30, 2003 for any reason other than delay or nonperformance of the party seeking such termination; and

(v) Automatically, upon Seller's acceptance of an alternative bid in accordance with the bid procedures approved in the Sale Procedure Order (as defined below).

If this Contract is terminated for any reason other than (a) the reason described in clause (ii) of this Section 11.C or (b) the reason described in clause (iv) of this Section 11.C because of a final

order, writ, injunction or decree of any federal, state, local, foreign or other governmental or quasi-governmental authority, or any department, agency, subdivision, court or other tribunal of any of the foregoing prohibiting Purchaser from consummating the transactions described herein (either of the foregoing reasons, a "**Purchaser Problem**"), then Seller and Purchaser shall promptly direct the Earnest Money Escrow Agent to deliver the Deposit to Purchaser and, upon such delivery of the Deposit to Purchaser, neither party shall have any further obligation to the other hereunder. If this Contract is terminated as the result of a Purchaser Problem, then Seller and Purchaser shall promptly direct the Earnest Money Escrow Agent to deliver the Deposit to Seller and, upon such delivery of the Deposit to Seller, neither party shall have any further obligation to the other hereunder. This paragraph shall survive the termination of this Contract.

12. No Representations.

A. PURCHASER ACKNOWLEDGES AND AGREES THAT SELLER HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS, WARRANTIES (OTHER THAN AS EXPRESSLY SET FORTH IN THIS CONTRACT AND IN THE SPECIAL WARRANTY OF TITLE AS SET OUT IN THE DEED), PROMISES, COVENANTS, AGREEMENTS, OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT, OR FUTURE, OF, AS TO, CONCERNING OR WITH RESPECT TO (A) THE VALUE, NATURE, QUALITY, OR CONDITION OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, THE WATER, SOIL, AND GEOLOGY, (B) THE INCOME TO BE DERIVED FROM THE PROPERTY, (C) THE SUITABILITY OF THE PROPERTY FOR ANY AND ALL ACTIVITIES AND USES THAT PURCHASER OR ANY TENANT MAY CONDUCT THEREON, (D) THE COMPLIANCE OF OR BY THE PROPERTY OR ITS OPERATION WITH ANY LAWS, RULES, ORDINANCES; OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY, (E) THE HABITABILITY, MERCHANTABILITY, MARKETABILITY, PROFITABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY, (F) THE MANNER OR QUALITY OF THE CONSTRUCTION OR MATERIALS, IF ANY, INCORPORATED INTO THE PROPERTY, (G) THE MANNER, QUALITY, STATE OF REPAIR, OR LACK OF REPAIR OF THE PROPERTY, (H) COMPLIANCE WITH ANY ENVIRONMENTAL PROTECTION, POLLUTION, OR LAND USE LAWS, RULES, REGULATIONS, ORDERS, OR REQUIREMENTS, (I) THE EXISTENCE, NOW OR FORMERLY AT, IN OR UNDER THE PROPERTY OF HAZARDOUS MATERIALS, OR (J) ANY OTHER MATTER WITH RESPECT TO THE PROPERTY. ADDITIONALLY, NO PERSON ACTING ON BEHALF OF SELLER IS AUTHORIZED TO MAKE, AND BY EXECUTION HEREOF PURCHASER ACKNOWLEDGES THAT NO PERSON HAS MADE, ANY REPRESENTATION, AGREEMENT, STATEMENT, WARRANTY, GUARANTY, OR PROMISE REGARDING THE PROPERTY OR THE TRANSACTION CONTEMPLATED HEREIN; AND NO SUCH REPRESENTATION, WARRANTY, AGREEMENT, GUARANTY, STATEMENT, OR PROMISE IF ANY, MADE BY ANY PERSON ACTING ON BEHALF OF SELLER SHALL BE VALID OR BINDING UPON SELLER UNLESS EXPRESSLY SET FORTH HEREIN. PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT HAVING BEEN GIVEN THE OPPORTUNITY TO INSPECT THE PROPERTY, PURCHASER IS RELYING ON ITS OWN INVESTIGATION OF THE PROPERTY AND AGREES TO ACCEPT THE PROPERTY AT THE CLOSING AND WAIVE ALL OBJECTIONS OR CLAIMS AGAINST SELLER (INCLUDING, BUT NOT LIMITED TO, ANY RIGHT OR CLAIM OR CONTRIBUTION) ARISING FROM OR RELATED TO THE PROPERTY OR ANY HAZARDOUS MATERIALS NOW OR FORMERLY AT, IN OR UNDER THE PROPERTY. PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT ANY INFORMATION PROVIDED OR TO BE PROVIDED WITH RESPECT TO THE PROPERTY WAS OBTAINED FROM A VARIETY OF SOURCES AND THAT SELLER MAKES NO REPRESENTATIONS AS TO THE ACCURACY, TRUTHFULNESS, OR COMPLETENESS OF SUCH

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INFORMATION. SELLER IS NOT LIABLE OR BOUND IN ANY MANNER BY ANY ORAL OR WRITTEN STATEMENT, REPRESENTATION, OR INFORMATION PERTAINING TO THE PROPERTY, OR THE OPERATION THEREOF, FURNISHED BY ANY REAL ESTATE BROKER, CONTRACTOR, AGENT, EMPLOYEE, SERVANT, OR OTHER PERSON. PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE SALE OF THE PROPERTY AS PROVIDED FOR HEREIN IS MADE ON AN "AS IS" AND "WHERE IS" CONDITION AND BASIS WITH ALL FAULTS.

B. PURCHASER HEREBY AGREES TO INDEMNIFY, PROTECT, DEFEND, SAVE, AND HOLD HARMLESS SELLER AND ITS AFFILIATES, AND THEIR RESPECTIVE EMPLOYEES, AGENTS, REPRESENTATIVES, AND THIRD PARTY CONSULTANTS AND PROFESSIONALS (OTHER THAN ANY TITLE COMPANIES, ENGINEERS, ENVIRONMENTAL CONSULTANTS, PLANNERS, GEOLOGICAL TECHNICIANS, SURVEYORS, ARCHITECTS AND SIMILAR PROFESSIONALS) FROM AND AGAINST ANY AND ALL DEBTS, DUTIES, OBLIGATIONS, LIABILITIES, SUITS, CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, LOSSES, FEES, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES, AND EXPENSES AND COURT COSTS) [(ANY OF THE FOREGOING, A "CLAIM")] IN ANY WAY RELATING TO, OR IN CONNECTION WITH OR ARISING ON OR AFTER CLOSING OUT OF PURCHASER'S ACQUISITION, OWNERSHIP, LEASING, USE, OPERATION, MAINTENANCE, AND MANAGEMENT OF THE PROPERTY. PURCHASER ALSO HEREBY RELEASES SELLER AND ITS AFFILIATES, AND THEIR RESPECTIVE EMPLOYEES, AGENTS, REPRESENTATIVES, AND THIRD PARTY CONSULTANTS AND PROFESSIONALS (OTHER THAN ANY TITLE COMPANIES, ENGINEERS, ENVIRONMENTAL CONSULTANTS, PLANNERS, GEOLOGICAL TECHNICIANS, SURVEYORS, ARCHITECTS AND SIMILAR PROFESSIONALS) FROM ANY AND ALL CLAIMS, LOSSES, DAMAGES, ACTIONS OR CAUSES OF ACTION IN ANY WAY ARISING FROM OR RELATING TO, OR IN CONNECTION WITH THE USE OR OCCUPANCY OF THE PROPERTY WHICH HAVE ARISEN PRIOR TO THE DATE HEREOF.

C. THE PROVISIONS OF THIS SECTION 12 SHALL SURVIVE CLOSING OR ANY TERMINATION HEREOF.

13. **Risk of Loss.**

A. If, prior to the Closing, action is initiated to take any of the Property by eminent domain proceedings or by deed in lieu thereof, Purchaser may either at or prior to Closing (a) terminate this Contract, or (b) consummate the Closing, in which latter event all of Seller's assignable right, title and interest in and to the award of the condemning authority shall be assigned to Purchaser at the Closing and there shall be no reduction in the Purchase Price.

B. Seller assumes all risks and liability for damage to or injury occurring to the Property by fire, storm, accident, or any other casualty or cause until the Closing has been consummated. If the Property, or any part thereof, suffers any damage in excess of $1,000,000 prior to the Closing from fire or other casualty, which Seller, at its sole option, does not elect to repair, Purchaser may either at or prior to Closing (a) terminate this Contract, or (b) consummate the Closing, in which latter event all of Seller's right, title and interest in and to the proceeds of any insurance covering such damage (less an amount equal to any expense and costs incurred by Seller to repair or restore the Property and any portion paid or to be paid on account of the loss of rents or other income from the Property for the period prior to and including the Closing Date, all of which shall be payable to Seller), to the extent the amount of such insurance does not exceed

the Purchase Price, shall be assigned to Purchase at the Closing. If the Property, or any part thereof, suffers any damage less than $1,000,000 prior to the Closing, Purchaser agrees that it will consummate the Closing and accept the assignment of the proceeds of any insurance covering such damage plus an amount equal to Seller's deductible under its insurance policy and there shall be no reduction in the Purchase Price.

14. **Assignment**. This Contract shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Contract nor any of the rights, interest or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of all other parties hereto, and any purported assignment without such consent shall be void; provided, that Purchaser may assign any or all of its rights or interests, or delegate any or all of its obligations, in this Contract to (a) any successor to Purchaser or any acquirer of a material portion of the business or assets of Purchaser or (b) one or more of Purchaser's affiliates, including any newly-created affiliate (such as a limited liability company in which Purchaser or an affiliate of Purchaser is a member), and in either event Purchaser shall remain bound to perform all of its obligations hereunder.

15. **Reporting of Foreign Investment**. Purchaser agrees to comply with any and all reporting requirements applicable to the transaction which is the subject of this Contract which are set forth in any law, statute, ordinance, rule, regulation, order or determination of any governmental authority, including but not limited to The International Investment Survey Act of 1976, The Agricultural Foreign Investment Disclosure Act of 1978, The Foreign Investment in Real Property Tax Act of 1980 and the Tax Reform Act of 1984 and further agrees upon request of Seller to furnish Seller with evidence of such compliance.

16. **No Offer**. The submission of this Contract to Purchaser for review does not constitute an offer or option to sell the Property.

17. **Notices**. All notices, demands and other communications made hereunder shall be in writing and shall be given either by personal delivery, by nationally recognized overnight courier (with charges prepaid) or by telecopy (with telephone confirmation), and shall be deemed to have been given or made when personally delivered, the day following the date deposited with such overnight courier service or when transmitted to telecopy machine on any business day between the hours of 9 a.m. and 5 p.m. (in the time zone of the recipient) and confirmed by telephone, addressed to the respective parties at the following addresses (or such other address for a party as shall be specified by like notice):

As to Seller:
Pine Grove Hospital Corporation
c/o Doctors Community Health Corporation
6730 North Scottsdale Road, Suite 290
Scottsdale, Arizona 85253
Attn: Erich Mounce
Fax: (480) 948-7104

With a copy to:
Weil, Gotshal & Manges LLP
101 Federal Street

Boston, Massachusetts 02110
Attn: Andrew M. Troop, Esq.
Fax: (617) 772-8333

As to Purchaser:

Sharon Evenhaim
8211 Remmit Street
Canoga Park California 91304
Fax: (818) 888-1368

With copies to:

Coldwell Banker
19520 Nordhoff #9-14
Northridge , California 91324 Attn: Michael T. Harris
Fax: (818) 576-1624

18. **Survival**. Except for the representations and warranties contained in Section 11.A.iv, the representations and warranties set forth herein shall terminate immediately after and not survive the Closing.

19. **Parties Bound; Third Party Beneficiaries**. This Contract shall be binding upon and inure to the benefit of Seller and Purchaser, their respective successors and permitted assigns. None of the provisions of this Contract or any document contemplated hereby is intended to grant any right or benefit to any person or entity which is not a party to this Contract, including, without limitation, any previous owner of the Property.

20. **Governing Law**. The laws of the state in which the Property is located shall govern the validity, construction, enforcement and interpretation of this Contract, provided, however, that the Bankruptcy Court shall retain jurisdiction over any and all disputes arising under or otherwise relating to the construction and enforcement of the Sale Order and the transactions consummated thereunder.

21. **Brokers**. Seller represents and warrants that no real estate broker has been involved in this transaction on its behalf other than Cain Brothers & Company, LLC, whose fees shall be payable solely by Seller. If any broker should make a claim for a commission based upon the actions of Seller, Seller shall indemnify, defend and hold Purchaser harmless from such claim. Purchaser represents and warrants that no real estate broker has been involved in this transaction on its behalf other than Michael T. Harris of Coldwell Banker ("Coldwell Banker") , whose fees shall be payable solely by Purchaser pursuant to a separate written agreement with Coldwell Banker . If any broker should make a claim for a commission based upon the actions of Purchaser, Purchaser shall indemnify, defend and hold Seller harmless from such claim.

22. **Multiple Counterparts**. This Contract may be executed in a number of identical counterparts. If so executed, each of such counterparts shall, collectively, constitute one agreement, but in making proof of this Contract, it shall not be necessary to produce or account for more than one such counterpart. Neither this Contract nor any memorandum thereof shall be recorded.

23. **Time of the Essence**. The parties hereto expressly agree that time is of the essence with respect to this Contract.

24. **Entire Contract**. This Contract embodies the entire agreement of the parties with respect to the transaction herein contemplated, superseding all prior agreements and communications whether oral or written. Any amendments hereto shall be in writing and executed by the party against whom enforcement of the modification is sought.

25. **Jurisdiction**. The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Contract or the transactions contemplated hereby shall be governed by the jurisdictional provisions of Title 28 of the United States Code applicable to the Bankruptcy Case and related matters.

26. **Confidentiality**. In recognition of the confidential nature of certain of the information which will be provided to Purchaser by Seller, from the date hereof through the Closing Date, Purchaser agrees to retain in confidence, and to require its directors, officers, employees, consultants, professional representatives, agents and affiliates (collectively, its "**Representatives**") to retain in confidence all confidential information transmitted or disclosed to it or them by Seller, and further agrees that it will not use or disclose to any third party, or permit the use or disclosure to any third party of, any confidential information obtained from or revealed by Seller, except that Purchaser may disclose the confidential information to those of its Representatives who need the information for the proper performance of their assigned duties with respect to the consummation of the transactions contemplated by this Contract. In making such confidential information available to its Representatives, Purchaser shall take any and all precautions necessary to ensure that its Representatives use the confidential information only as permitted hereby. Notwithstanding anything to the contrary in the foregoing provisions, neither Purchaser nor its Representatives shall have any confidentiality obligation with respect to information: (a) the disclosure of which is required by any governmental entity or by court order or decree or applicable law; (b) that is ascertainable or obtained from public or published information; (c) that is received from a third party; (d) that is furnished by or on behalf of Seller to a third party without restriction as to use or disclosure thereof; (e) that is independently developed by Purchaser or its Representatives without resort to Seller's disclosure; or (f) that is in the possession of Purchaser or its Representatives prior to disclosure thereof by Seller in connection with this Contract. Notwithstanding anything to the contrary set forth herein or in any other agreement to which the parties hereto are parties or by which they are bound, the obligations of confidentiality contained herein and therein, as they relate to the transactions hereunder, shall not apply to the tax structure or tax treatment of the transactions hereunder, and each party hereto (and any employee, representative, or agent of any party hereto) may disclose to any and all persons, without limitation of any kind, the tax structure and tax treatment of the transactions hereunder and all materials of any kind (including opinions or other tax analysis) that are provided to such party relating to such tax treatment and tax structure; provided, however, that such disclosure shall not include the name (or other identifying information not relevant to the tax structure or tax treatment) of any person and shall not include information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws. If Purchaser shall be required to make disclosure of any such information by operation of law,

Purchaser shall give Seller prior notice of the making of such disclosure and shall use its best efforts to afford Seller an opportunity to contest the making of such disclosure. In the event that the Closing shall not occur, Purchaser shall immediately deliver, or cause to be delivered, to Seller (without retaining any copies thereof) any and all documents, statements or other written information obtained from Seller that contain confidential information of Seller.

27. **Bankruptcy Court Approval**.

Seller shall use reasonable efforts to gain approval by the Bankruptcy Court of the transactions contemplated by this Contract, to the full extent required by section 363 and other applicable provisions of the Bankruptcy Code and rules, and as soon as reasonably practicable following execution of this Contract. To the extent that Seller has not done so prior to the date of this Contract, Seller shall, immediately following the execution and delivery of this Contract, file motions with the Bankruptcy Court, in form and substance reasonably satisfactory to Purchaser, seeking, among other things, (i) the entry of an order approving certain bid procedures and bid protections, as set forth in Exhibit E, in connection with the sale of the Property ("**Sale Procedure Order**") and (ii) as soon as practicable thereafter, the entry of an order that authorizes the sale of the Purchased Assets and the transactions contemplated by this Contract (the "**Sales Motion**").

The Sale Procedure Order shall prescribe the procedures that will govern the Auction Sale, including but not limited to (i) the deposit that prospective bidders must deposit in order to qualify to bid at the Auction Sale, (ii) the nature of financial information that prospective bidders must submit to establish their financial capacity to consummate a successful bid, (iii) the nature of the notice that must be disseminated to parties in interest and published in newspapers of general and special circulation, (iv) the minimum upset bid required to start the Auction Sale (the "**Initial Upset Bid**") and (v) the minimum bidding increments that must be observed after the receipt of the Initial Upset Bid.

The Sales Motion will provide, *inter alia*, (x) that the sale of the Property will be conducted pursuant to a court supervised auction ("**Auction Sale**") and is subject to higher and better offers, (y) that the Property will be exposed to public sale with this Contract constituting the initial offer for the Property, and (z) that no sale of the Property to Purchaser will be completed until the procedures described above have been conducted under the supervision of the Bankruptcy Court and the sale of the Property is approved by the Bankruptcy Court.

Promptly after the filing of the Sales Motion, Seller shall use reasonable efforts to obtain a hearing thereon at the earliest permissible date on which the Bankruptcy Court will hear such matter, after expiration of any applicable notice period, unless a shorter notice period is approved by the Bankruptcy Court. Upon obtaining a hearing date, Seller shall give notice of the Sales Motion and the hearing thereon as and when required by applicable provisions of the Bankruptcy Laws and orders of the Bankruptcy Court. This Contract, the Sales Motion and the closing of the transactions hereunder shall be subject to the Sale Procedure Order and the Sale Order. Purchaser acknowledges and agrees that if Purchaser is not the high bidder for the Property under the Sale Procedure Order, the Property will not be sold to Purchaser and this Contract will terminate with no liability to Seller.

28. **Marketing**. Seller shall have the right to continue to market the Property and other offers may be negotiated and/or accepted by Seller until the Closing has been consummated under this Contract.

29. **Publicity.** Except as required by the Bankruptcy Code, the Sale Order and any other order of the Bankruptcy Court, Seller and Purchaser agree that they will not make any press releases or other announcements prior to the Closing with respect to this Contract without the prior approval of the other party and in connection with the procedures in the Bankruptcy Court to obtain the Sale Order.

Signatures on Next Page

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IN WITNESS WHEREOF, the parties hereto have, by their duly authorized representatives, executed this Contract as of the date indicated above.

"SELLER"

PINE GROVE HOSPITAL CORPORATION, a Delaware corporation

By: _____
Name: _____
Title: _____
Date: _____

"PURCHASER"

Sharon Evenhaim

_____
Date: 5/27/03

EXHIBITS

EXHIBIT A – Description of the Property
EXHIBIT B – Title Binder & ALTA Survey
EXHIBIT C – Grant Deed
EXHIBIT D – FIRPTA Affidavit
EXHIBIT D-1 – California Form 593-W
EXHIBIT E – Sales Procedures
EXHIBIT F – Form of Escrow Agreement
EXHIBIT G – Form of Sale Order

EXHIBIT A

DESCRIPTION OF THE PROPERTY

DESCRIPTION

PARCEL 1:

THAT PORTION OF LOT 963 OF TRACT 1000, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 19 PAGES 1 THROUGH 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING SOUTHERLY OF A LINE PARALLEL WITH AND 40 FEET SOUTHERLY MEASURED AT RIGHT ANGLES OR RADIALLY FROM THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT OF INTERSECTION OF THE CENTER LINE OF "FALLBROOK AVENUE", AS ESTABLISHED BY THE ENGINEER OF THE CITY OF LOS ANGELES, AND SHOWN IN FIELD BOOK 10659 PAGES 6, 17 AND 23, WITH A LINE WHICH IS PARALLEL WITH AND 40 FEET NORTHERLY, MEASURED AT RIGHT ANGLES FROM THE SOUTHERLY LINES OF LOTS 960 AND 963 FOR SAID TRACT NO. 1000; THENCE ALONG SAID PARALLEL LINE SOUTH 89 DEGREES 57 MINUTES 41 SECONDS EAST 797.36 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 800 FEET; THENCE NORTHEASTERLY ALONG SAID CURVE, 369.32 FEET; THENCE TANGENT TO SAID LAST MENTIONED CURVE, NORTH 63 DEGREES 35 MINUTES 16 SECONDS EAST 162.75 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE TO THE SOUTHEAST HAVING A RADIUS OF 800 FEET; THENCE NORTHEASTERLY ALONG SAID LAST MENTIONED CURVE, 369.32 FEET TO THE POINT OF TANGENCY WITH A LINE WHICH IS PARALLEL WITH AND 280 FEET NORTHERLY MEASURED AT RIGHT ANGLES FROM SAID SOUTHERLY LINE OF LOT 963; THENCE FROM SAID LAST MENTIONED POINT OF TANGENCY AND ALONG SAID LINE WHICH IS PARALLEL WITH AND 280 FEET NORTHERLY FROM THE SOUTHERLY LINE OF LOT 963, SOUTH 89 DEGREES 57 MINUTES 41 SECONDS EAST 984.99 FEET TO THE CENTER LINE OF SHOUP AVENUE, AS ESTABLISHED BY SAID ENGINEER AND SHOWN IN ENGINEER'S FIELD BOOK 15209 PAGE 4, OFFICIAL RECORDS.

EXCEPT THEREFROM THAT PORTION OF THE EASTERLY 2 FEET THEREOF, INCLUDED WITHIN THE LINES OF THE LAND CONVEYED TO THE COUNTY OF LOS ANGELES, BY DEED RECORDED IN BOOK 5632 PAGE 163 OF DEEDS, RECORDS OF SAID COUNTY.

ALSO EXCEPT THEREFROM THAT PORTION OF SAID LOT 963, DESCRIBED AS PARCEL NO. 79 IN THE FINAL ORDER OF CONDEMNATION, LOS ANGELES COUNTY SUPERIOR COURT, CASE NO. 770047, A CERTIFIED COPY OF WHICH ORDER WAS RECORDED NOVEMBER 5, 1962 AS INSTRUMENT NO. 4854 IN BOOK D-1813 PAGE 840 OF OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM ONE-HALF OF ALL MINERALS, COAL, OILS, PETROLEUM AND KINDRED SUBSTANCES AND NATURAL GAS UNDER SAID LAND, AS RESERVED BY CHARLOTTE H. LEE, A WIDOW, IN DEED RECORDED SEPTEMBER 8, 1955 IN BOOK 488891 PAGE 342, OFFICIAL RECORDS.

PARCEL 2:

THAT PORTION OF LOT 960 OF TRACT 1000, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 19 PAGES 1 THROUGH 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING SOUTHERLY OF THE SOUTHERLY LINE OF THAT CERTAIN 80.00 FOOT CONTROL CHANNEL DESCRIBED AS PARCEL 32 IN THE FINAL DECREE OF CONDEMNATION ENTERED IN THE LOS ANGELES COUNTY SUPERIOR COURT, CASE NO. 547785, A CERTIFIED COPY THEREOF BEING RECORDED IN BOOK 29634 PAGE 101, OFFICIAL RECORDS.

EXCEPT THEREFROM ALL MINERALS, COAL, OILS, PETROLEUM AND KINDRED SUBSTANCES AND NATURAL GAS UNDER AND IN SAID LAND, AS CONVEYED TO CARMEN B. FLORES, A WIDOW, AND SANTOS HOJO, A SINGLE MAN, AS JOINT TENANTS, BY DEED RECORDED JANUARY 19, 1951 IN BOOK 35361 PAGE 352, OFFICIAL RECORDS.

EXHIBIT B

TITLE BINDER & ALTA SURVEY

CHICAGO TITLE COMPANY

PRELIMINARY REPORT

FIRST AMENDED

Dated as of: April 15, 2003 at 7:30 AM

Reference: NBU #122300940

Order No.: 31057470 - X59

Regarding: 7011 SHOUP AVE.
CANOGA PARK, CA

CHICAGO TITLE COMPANY hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception in Schedule B or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in the attached list. Copies of the Policy forms are available upon request.

Please read the exceptions shown or referred to in Schedule B and the exceptions and exclusions set forth in the attached list of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered. It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

THIS REPORT (AND ANY SUPPLEMENTS OR AMENDMENTS HERETO) IS ISSUED SOLELY FOR THE PURPOSE OF FACILITATING THE ISSUANCE OF A POLICY OF TITLE INSURANCE AND NO LIABILITY IS ASSUMED HEREBY. IF IT IS DESIRED THAT LIABILITY BE ASSUMED PRIOR TO THE ISSUANCE OF A POLICY OF TITLE INSURANCE, A BINDER OR COMMITMENT SHOULD BE REQUESTED.

The form of policy of title insurance contemplated by this report is:

AMERICAN LAND TITLE ASSOCIATION OWNER'S EXTENDED COVERAGE POLICY

Title Department:

CHICAGO TITLE COMPANY
700 S. FLOWER ST. #900
LOS ANGELES, CA 90017
(213)488-4300 fax: (213)488-4385

CLARK MCKINNON
X59

SCHEDULE A

Order No: 31057470 X59 Your Ref: NBU #122300940

1. The estate or interest in the land hereinafter described or referred to covered by this report is:

A FEE

2. Title to said estate or interest at the date hereof is vested in:

VALUEMARK - PINE GROVE BEHAVIORAL HEALTHCARE SYSTEMS, INC., A GEORGIA CORPORATION, SUCCESSOR IN INTEREST TO BHCA OF CANOGA PARK, INC., A CORPORATION ORGANIZED UNDER THE LAWS OF THE STATE OF GEORGIA

3. The land referred to in this report is situated in the State of California, County of LOS ANGELES and is described as follows:

SEE ATTACHED DESCRIPTION

DESCRIPTION

PARCEL 1:

THAT PORTION OF LOT 963 OF TRACT 1000, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 19 PAGES 1 THROUGH 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING SOUTHERLY OF A LINE PARALLEL WITH AND 40 FEET SOUTHERLY MEASURED AT RIGHT ANGLES OR RADIALLY FROM THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT OF INTERSECTION OF THE CENTER LINE OF "FALLBROOK AVENUE", AS ESTABLISHED BY THE ENGINEER OF THE CITY OF LOS ANGELES, AND SHOWN IN FIELD BOOK 10659 PAGES 6, 17 AND 23, WITH A LINE WHICH IS PARALLEL WITH AND 40 FEET NORTHERLY, MEASURED AT RIGHT ANGLES FROM THE SOUTHERLY LINES OF LOTS 960 AND 963 FOR SAID TRACT NO. 1000; THENCE ALONG SAID PARALLEL LINE SOUTH 89 DEGREES 57 MINUTES 41 SECONDS EAST 797.36 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 800 FEET; THENCE NORTHEASTERLY ALONG SAID CURVE, 369.32 FEET; THENCE TANGENT TO SAID LAST MENTIONED CURVE, NORTH 63 DEGREES 35 MINUTES 16 SECONDS EAST 162.75 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE TO THE SOUTHEAST HAVING A RADIUS OF 800 FEET; THENCE NORTHEASTERLY ALONG SAID LAST MENTIONED CURVE, 369.32 FEET TO THE POINT OF TANGENCY WITH A LINE WHICH IS PARALLEL WITH AND 280 FEET NORTHERLY MEASURED AT RIGHT ANGLES FROM SAID SOUTHERLY LINE OF LOT 963; THENCE FROM SAID LAST MENTIONED POINT OF TANGENCY AND ALONG SAID LINE WHICH IS PARALLEL WITH AND 280 FEET NORTHERLY FROM THE SOUTHERLY LINE OF LOT 963, SOUTH 89 DEGREES 57 MINUTES 41 SECONDS EAST 984.99 FEET TO THE CENTER LINE OF SHOUP AVENUE, AS ESTABLISHED BY SAID ENGINEER AND SHOWN IN ENGINEER'S FIELD BOOK 15209 PAGE 4, OFFICIAL RECORDS.

EXCEPT THEREFROM THAT PORTION OF THE EASTERLY 2 FEET THEREOF, INCLUDED WITHIN THE LINES OF THE LAND CONVEYED TO THE COUNTY OF LOS ANGELES, BY DEED RECORDED IN BOOK 5632 PAGE 163 OF DEEDS, RECORDS OF SAID COUNTY.

ALSO EXCEPT THEREFROM THAT PORTION OF SAID LOT 963, DESCRIBED AS PARCEL NO. 79 IN THE FINAL ORDER OF CONDEMNATION, LOS ANGELES COUNTY SUPERIOR COURT, CASE NO. 770047, A CERTIFIED COPY OF WHICH ORDER WAS RECORDED NOVEMBER 5, 1962 AS INSTRUMENT NO. 4854 IN BOOK D-1813 PAGE 840 OF OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM ONE-HALF OF ALL MINERALS, COAL, OILS, PETROLEUM AND KINDRED SUBSTANCES AND NATURAL GAS UNDER SAID LAND, AS RESERVED BY CHARLOTTE H. LEE, A WIDOW, IN DEED RECORDED SEPTEMBER 8, 1955 IN BOOK 488891 PAGE 342, OFFICIAL RECORDS.

PARCEL 2:

THAT PORTION OF LOT 960 OF TRACT 1000, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 19 PAGES 1 THROUGH 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING SOUTHERLY OF THE SOUTHERLY LINE OF THAT CERTAIN 80.00 FOOT CONTROL CHANNEL DESCRIBED AS PARCEL 32 IN THE FINAL DECREE OF CONDEMNATION ENTERED IN THE LOS ANGELES COUNTY SUPERIOR COURT, CASE NO. 547785, A CERTIFIED COPY THEREOF BEING RECORDED IN BOOK 29634 PAGE 101, OFFICIAL RECORDS.

EXCEPT THEREFROM ALL MINERALS, COAL, OILS, PETROLEUM AND KINDRED SUBSTANCES AND NATURAL GAS UNDER AND IN SAID LAND, AS CONVEYED TO CARMEN B. FLORES, A WIDOW, AND SANTOS HOJO, A SINGLE MAN, AS JOINT TENANTS, BY DEED RECORDED JANUARY 19, 1951 IN BOOK 35361 PAGE 352, OFFICIAL RECORDS.

SCHEDULE B

Order No: 31057470 X59 Your Ref: NBU #122300940

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in the policy form designated on the face page of this Report would be as follows:

A 1. PROPERTY TAXES, INCLUDING ANY ASSESSMENTS COLLECTED WITH TAXES, TO BE LEVIED FOR THE FISCAL YEAR 2003-2004 THAT ARE A LIEN NOT YET DUE.

B 2. PROPERTY TAXES, INCLUDING ANY PERSONAL PROPERTY TAXES AND ANY ASSESSMENTS COLLECTED WITH TAXES, FOR THE FISCAL YEAR 2002-2003.

1ST INSTALLMENT:	$25,943.47
PENALTY:	$2,594.34 (DUE AFTER DECEMBER 10)
2ND INSTALLMENT:	$25,943.45
PENALTY AND COST:	$2,604.34 (DUE AFTER APRIL 10)
HOMEOWNERS EXEMPTION:	$-NONE-
CODE AREA:	0000016
ASSESSMENT NO:	2024-016-026

AFFECTS: PARCEL 1.

C 3. SAID PROPERTY HAS BEEN DECLARED TAX-DEFAULTED FOR NON-PAYMENT OF DELINQUENT TAXES FOR FISCAL YEAR 2000-2001 (AND SUBSEQUENT YEARS, IF ANY)

AMOUNT TO REDEEM:	$133,359.76
IF PAID BY:	APRIL 30, 2003
AMOUNT TO REDEEM:	$134,855.40
IF PAID BY:	MAY 31, 2003

ASSESSMENT NO. : 2024-016-026

AFFECTS: PARCEL 1.

D 4. PROPERTY TAXES, INCLUDING ANY PERSONAL PROPERTY TAXES AND ANY ASSESSMENTS COLLECTED WITH TAXES, FOR THE FISCAL YEAR 2002-2003.

1ST INSTALLMENT:	$1,048.15
PENALTY:	$104.81 (DUE AFTER DECEMBER 10)
2ND INSTALLMENT:	$1,048.13
PENALTY AND COST:	$114.81 (DUE AFTER APRIL 10)
HOMEOWNERS EXEMPTION:	$-NONE-
CODE AREA:	0000016
ASSESSMENT NO:	2024-024-023

AFFECTS: PARCEL 2.

SCHEDULE B (continued)

Order No: 31057470 X59 Your Ref: NBU #122300940

E 5. SAID PROPERTY HAS BEEN DECLARED TAX-DEFAULTED FOR NON-PAYMENT OF DELINQUENT TAXES FOR FISCAL YEAR 2000-2001 (AND SUBSEQUENT YEARS, IF ANY)

AMOUNT TO REDEEM: $5,455.09
IF PAID BY: APRIL 30, 2003

AMOUNT TO REDEEM: $5,515.87
IF PAID BY: MAY 31, 2003

ASSESSMENT NO.: 2024-024-023

AFFECTS: PARCEL 2.

F 6. THE LIEN OF SUPPLEMENTAL OR ESCAPED ASSESSMENTS OF PROPERTY TAXES, IF ANY, MADE PURSUANT TO THE PROVISIONS OF PART 0.5, CHAPTER 3.5 OR PART 2, CHAPTER 3, ARTICLES 3 AND 4 RESPECTIVELY (COMMENCING WITH SECTION 75) OF THE REVENUE AND TAXATION CODE OF THE STATE OF CALIFORNIA AS A RESULT OF THE TRANSFER OF TITLE TO THE VESTEE NAMED IN SCHEDULE A; OR AS A RESULT OF CHANGES IN OWNERSHIP OR NEW CONSTRUCTION OCCURRING PRIOR TO DATE OF POLICY.

G 7. IF REAL PROPERTY TAXES ARE TO BE ADVANCED THROUGH THIS ORDER IN A TIMELY AND EFFICIENT MANNER, THIS OFFICE SHOULD BE SENT THE ORIGINAL **TAX BILLS** WHICH ARE IN THE POSSESSION OF THE OWNER(S) PRIOR TO THE CLOSE OF THIS TRANSACTION AND/OR FIVE DAYS PRIOR TO THE DUE DATE. THIS GREATLY MINIMIZES MISPOSTINGS AND REDUCES FUTURE COMPLAINTS TO THE ESCROW AND TITLE COMPANY.

SUBESCROW FUNDS WILL BE USED TO PAY ANY TAXES THAT WILL BE ADVANCED THROUGH THIS TRANSACTION. IF NO SUBESCROW IS CONTEMPLATED, THEN PRIOR TO CLOSING, CHICAGO TITLE MUST BE PROVIDED WITH A CHECK FROM THE ESCROW TO PAY THE TAXES. THE CHECK MUST BE MADE PAYABLE TO "LOS ANGELES COUNTY TAX COLLECTOR". ONLY ESCROW CHECKS OR CERTIFIED FUNDS WILL BE ACCEPTED.

H 8. AN EASEMENT FOR THE PURPOSE SHOWN BELOW AND RIGHTS INCIDENTAL THERETO AS SET FORTH IN A DOCUMENT

PURPOSE: POLE LINES AND CONDUITS
RECORDED: IN BOOK 1217 PAGE 261, OFFICIAL RECORDS
AFFECTS: SOUTHERLY 10 FEET AND EASTERLY 10 FEET OF PARCEL 2.

I 9. AN EASEMENT FOR THE PURPOSE SHOWN BELOW AND RIGHTS INCIDENTAL THERETO AS SET FORTH IN A DOCUMENT

PURPOSE: POLE LINES AND CONDUITS
RECORDED: IN BOOK 6454 PAGE 340 OF DEEDS
AFFECTS: SOUTHERLY AND WESTERLY 10 FEET AND EASTERLY 8 FEET OF PARCEL 1.

SCHEDULE B (continued)

Order No: 31057470 X59 Your Ref: NBU #122300940

J 10. THE PROVISIONS IN A DEED PROHIBITING THE BUYING, SELLING OR HANDLING OF INTOXICATING LIQUORS ON SAID LAND,

RECORDED: IN BOOK 6454 PAGE 340 OF DEEDS

K SAID COVENANTS, CONDITIONS AND RESTRICTIONS PROVIDE THAT A VIOLATION THEREOF SHALL NOT DEFEAT THE LIEN OF ANY MORTGAGE OR DEED OF TRUST MADE IN GOOD FAITH AND FOR VALUE.

L 11. AN EASEMENT FOR THE PURPOSE SHOWN BELOW AND RIGHTS INCIDENTAL THERETO AS SET FORTH IN A DOCUMENT

PURPOSE: WATER PIPE LINES
RECORDED: IN BOOK 9695 PAGE 129, OFFICIAL RECORDS
AFFECTS: EASTERLY 8 FEET OF PARCEL 1.

M 12. AN EASEMENT FOR THE PURPOSE SHOWN BELOW AND RIGHTS INCIDENTAL THERETO AS SET FORTH IN A DOCUMENT

PURPOSE: AERIAL AND UNDERGROUND COMMUNICATION STRUCTURES
RECORDED: OCTOBER 15, 1957 AS INSTRUMENT NO. 3559 IN BOOK 55853 PAGE 433, OFFICIAL RECORDS
AFFECTS: SOUTHERLY 2 FEET OF WESTERLY 25 FEET OF EASTERLY 65 FEET OF PARCEL 1.

N 13. AN IRREVOCABLE OFFER TO DEDICATE A PORTION OF SAID LAND FOR THE PURPOSES STATED HEREIN

FOR: PUBLIC STREET, ROAD OR HIGHWAY PURPOSES
RECORDED: DECEMBER 2, 1964 AS INSTRUMENT NO. 5296 IN BOOK D-2719 PAGE 425, OFFICIAL RECORDS
AFFECTS: THE WESTERLY 7 FEET OF THE EASTERLY 9 FEET OF THE SOUTHERLY 240 FEET OF PARCEL 1.

O 14. AN EASEMENT FOR THE PURPOSE SHOWN BELOW AND RIGHTS INCIDENTAL THERETO AS SET FORTH IN A DOCUMENT

PURPOSE: POLE LINES AND CONDUITS
RECORDED: IN BOOK 6481 PAGE 137 OF DEEDS AND IN BOOK 6669 PAGE 97 OF DEEDS
AFFECTS: EASTERLY AND SOUTHERLY 10 FEET OF PARCEL 2.

P 15. THE PROVISIONS IN A DEED PROHIBITING THE BUYING, SELLING OR HANDLING OF

SCHEDULE B (continued)

Order No: 31057470 X59 Your Ref: NBU #122300940

INTOXICATING LIQUORS ON SAID LAND,

RECORDED: IN BOOK 6481 PAGE 137 OF DEEDS

q SAID COVENANTS, CONDITIONS AND RESTRICTIONS PROVIDE THAT A VIOLATION THEREOF SHALL NOT DEFEAT THE LIEN OF ANY MORTGAGE OR DEED OF TRUST MADE IN GOOD FAITH AND FOR VALUE.

AFFECTS: PARCEL 2.

s 16. THE PROVISIONS IN A DEED PROHIBITING THE BUYING, SELLING OR HANDLING OF INTOXICATING LIQUORS ON SAID LAND,

RECORDED: IN BOOK 1217 PAGE 261, OFFICIAL RECORDS

r SAID COVENANTS, CONDITIONS AND RESTRICTIONS PROVIDE THAT A VIOLATION THEREOF SHALL NOT DEFEAT THE LIEN OF ANY MORTGAGE OR DEED OF TRUST MADE IN GOOD FAITH AND FOR VALUE.

AFFECTS: PARCEL 2.

v 17. A DOCUMENT ENTITLED "DESCRIPTION OF THE LAND WITHIN THE EARTHQUAKE DISASTER ASSISTANCE PROJECT AREA FOR PORTIONS OF COUNCIL DISTRICT 3 AND STATEMENT THAT REDEVELOPMENT PROCEEDINGS HAVE BEEN INSTITUTED (HEALTH & SAFETY CODE SECTION 33373)", DATED DECEMBER 28, 1994 EXECUTED BY THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, SUBJECT TO ALL THE TERMS, PROVISIONS AND CONDITIONS THEREIN CONTAINED, RECORDED DECEMBER 28, 1994 AS INSTRUMENT NO. 94-2276777.

AFFECTS: THIS AND OTHER PROPERTY.

x 18. ANY RIGHTS OF THE PARTIES IN POSSESSION OF SAID LAND, BASED ON ANY UNRECORDED LEASE, OR LEASES.

THIS COMPANY WILL REQUIRE THAT A FULL COPY OF ANY UNRECORDED LEASE BE SUBMITTED TO US, TOGETHER WITH ALL SUPPLEMENTS, ASSIGNMENTS AND AMENDMENTS, BEFORE ISSUING ANY POLICY OF TITLE INSURANCE.

y 19. WATER RIGHTS, CLAIMS OR TITLE TO WATER, WHETHER OR NOT SHOWN BY THE PUBLIC RECORDS.

z 20. ANY CLAIM, WHICH ARISES OUT OF THE TRANSACTION VESTING IN THE INSURED THE ESTATE OR INTEREST INSURED BY THIS POLICY, BY REASON OF THE OPERATION OF FEDERAL BANKRUPTCY, STATE INSOLVENCY, OR SIMILAR CREDITORS' RIGHTS LAWS, THAT IS BASED ON:

(i) THE TRANSACTION CREATING THE ESTATE OR INTEREST INSURED BY THIS POLICY BEING DEEMED A FRAUDULENT CONVEYANCE OR FRAUDULENT TRANSFER;

SCHEDULE B (continued)

Order No: 31057470 X59 Your Ref: NBU #122300940

OR

(ii) THE TRANSACTION CREATING THE ESTATE OR INTEREST INSURED BY THIS POLICY BEING DEEMED A PREFERENTIAL TRANSFER EXCEPT WHERE THE PERFERENTIAL TRANSFER RESULTS FROM THE FAILURE:

(A) TO TIMELY RECORD THE INSTRUMENT OF TRANSFER; OR

(B) OF SUCH RECORDATION TO IMPART NOTICE TO A PURCHASER FOR VALUE OR A JUDGMENT OR LIEN CREDITOR.

AA END OF SCHEDULE B

AB NOTE NO. 1: IF THIS COMPANY IS REQUESTED TO DISBURSE FUNDS IN CONNECTION WITH THIS TRANSACTION, CHAPTER 598, STATUTES OF 1989 MANDATES HOLD PERIODS FOR CHECKS DEPOSITED TO ESCROW OR SUB-ESCROW ACCOUNTS. THE MANDATORY HOLD PERIOD FOR CASHIER'S CHECKS, CERTIFIED CHECKS AND TELLER'S CHECKS IS ONE BUSINESS DAY AFTER THE DAY DEPOSITED. OTHER CHECKS REQUIRE A HOLD PERIOD OF FROM TWO TO FIVE BUSINESS DAYS AFTER THE DAY DEPOSITED. IN THE EVENT THAT THE PARTIES TO THE CONTEMPLATED TRANSACTION WISH TO RECORD PRIOR TO THE TIME THAT THE FUNDS ARE AVAILABLE FOR DISBURSEMENT (AND SUBJECT TO COMPANY APPROVAL), THE COMPANY WILL REQUIRE THE PRIOR WRITTEN CONSENT OF THE PARTIES. UPON REQUEST, A FORM ACCEPTABLE TO THE COMPANY AUTHORIZING SAID EARLY RECORDING MAY BE PROVIDED TO ESCROW FOR EXECUTION.

WIRE TRANSFERS

THERE IS NO MANDATED HOLD PERIOD FOR FUNDS DEPOSITED BY CONFIRMED WIRE TRANSFER. THE COMPANY MAY DISBURSE SUCH FUNDS THE SAME DAY.

CHICAGO TITLE WILL DISBURSE BY WIRE (WIRE-OUT) ONLY COLLECTED FUNDS OR FUNDS RECEIVED BY CONFIRMED WIRE (WIRE-IN). THE FEE FOR EACH WIRE-OUT IS $25.00. THE COMPANY'S WIRE-IN INSTRUCTIONS ARE:

WIRE-IN INSTRUCTIONS FOR BANK OF AMERICA:

BANK:	BANK OF AMERICA 1850 GATEWAY BLVD. CONCORD, CA 94520
BANK ABA:	121000358
ACCOUNT NAME:	CHICAGO TITLE COMPANY BROADWAY PLAZA OFFICE
ACCOUNT NO.:	12351-50737
FOR CREDIT TO:	CHICAGO TITLE COMPANY

SCHEDULE B (continued)

Order No: 31057470 X59 Your Ref: NBU #122300940

700 SOUTH FLOWER, SUITE 900
LOS ANGELES, CA 90017

FURTHER CREDIT TO: ORDER NO.: 031057470

AC NOTE NO. 2: WHEN THIS TITLE ORDER CLOSES AND IF CHICAGO TITLE IS HANDLING LOAN PROCEEDS THROUGH SUB-ESCROW, ALL TITLE CHARGES AND EXPENSES NORMALLY BILLED, WILL BE DEDUCTED FROM THOSE LOAN PROCEEDS (TITLE CHARGES AND EXPENSES WOULD INCLUDE TITLE PREMIUMS, ANY TAX OR BOND ADVANCES, DOCUMENTARY TRANSFER TAX AND RECORDING FEES, ETC.).

AD NOTE NO. 3: THIS COMPANY WILL REQUIRE THAT AN ALTA SURVEY OF SAID LAND, SATISFACTORY TO THIS COMPANY, BE SUBMITTED. IT IS RECOMMENDED THAT THE SURVEYOR CONTACT THIS COMPANY PRIOR TO STARTING THE SURVEY.

AE NOTE NO. 4: YOUR OPEN ORDER REQUEST INDICATES THAT A CORPORATION FORMED OUTSIDE OF THE JURISDICTION OF THE STATE OF CALIFORNIA WILL BE ACQUIRING, ENCUMBERING OR CONVEYING THE PROPERTY IN YOUR TRANSACTION. THEREFORE, IT IS THE REQUIREMENT OF THIS COMPANY THAT PRIOR TO THE ISSUANCE OF OUR POLICY OF TITLE INSURANCE, WE BE FURNISHED AN OPINION BY INDEPENDENT COUNSEL AUTHORIZED TO PRACTICE LAW IN THE FOREIGN JURISDICTION, AT NO COST TO THIS COMPANY, WHICH OPINION SHALL MAKE THE FOLLOWING REPRESENTATIONS:

(1) THAT COUNSEL HAS REVIEWED AND STUDIED THE ARTICLES OF INCORPORATION AND ANY OTHER PERTINENT DOCUMENTS IN LIGHT OF THE APPLICABLE LAWS OF THAT JURISDICTION;

(2) THAT THE CORPORATION WAS PROPERLY INCORPORATED IN THAT JURISDICTION;

(3) THAT THE CORPORATION IS PRESENTLY IN GOOD STANDING IN THAT JURISDICTION;

(4) THAT THE CORPORATION HAS BOTH THE POWER AND AUTHORITY TO OWN PROPERTY IN THE UNITED STATES/STATE OF CALIFORNIA, BOTH UNDER ITS ARTICLES AND THE LAWS OF THAT JURISDICTION; AND

(5) THAT THE NAMED PERSON(S) WHO WILL EXECUTE DOCUMENTS (IF ANY) ON BEHALF OF THE CORPORATION IS/ARE AUTHORIZED TO DO SO.

PLATS
CM/RL

CHICAGO TITLE COMPANY

Supplemental Report

Issuing Office:
700 SOUTH FLOWER ST.,
SUITE 900, LOS ANGELES,
CALIFORNIA 90017
(213)488-4300

MADELINE LEONE
CHICAGO TITLE/NEW YORK
711 THIRD AVENUE,
NEW YORK, NY 10017-4014

Your Ref: NBU #122300940 Order No: 31057470 X59

Dated as of MAY 20, 2003 at 7:30 AM

Title Officer: CLARK MCKINNON

The above numbered report dated APRIL 15, 2003 (including any supplements or amendments thereto) is hereby modified and/or supplemented in order to reflect the following:

AK PLEASE BE ADVISED THAT THE VESTING IS HEREBY AMENDED TO READ AS FOLLOWS:

PINE GROVE HOSPITAL CORPORATION, A DELAWARE CORPORATION, SUCCESSOR BY MERGER TO VALUEMARK - PINE GROVE BEHAVIORAL HEALTHCARE SYSTEMS, INC., A GEORGIA CORPORATION, SUCCESSOR IN INTEREST TO BHCA OF CANOGA PARK, INC., A CORPORATION ORGANIZED UNDER THE LAWS OF THE STATE OF GEORGIA

PLEASE BE ADVISED THAT ITEM NUMBER(S) 21 IS/ARE HEREBY ADDED:

AM 21. A DEED OF TRUST TO SECURE AN INDEBTEDNESS IN THE ORIGINAL AMOUNT SHOWN BELOW

AMOUNT:	$30,000,000.00
DATED:	MAY 9, 2003
TRUSTOR:	PINE GROVE HOSPITAL CORPORATION, SUCCESSOR BY MERGER TO VALUEMARK PINE GROVE BEHAVIORAL HEALTHCARE SYSTEM, INC., SUCCESSOR IN INTEREST TO BHCA OF CANOGA PARK, INC.
TRUSTEE:	CHICAGO TITLE
BENEFICIARY:	MERRILL LYNCH CAPITAL, A DIVISION OF MERRILL LYNCH BUSINESS FINANCIAL SERVICES INC.
RECORDED:	MARCH 19, 2003 AS INSTRUMENT NO. 03-1408919
ORIGINAL LOAN NUMBER:	NOT SHOWN

EXHIBIT C

FORM OF GRANT DEED

RECORDING REQUESTED BY [_____] **AND WHEN RECORDED MAIL TO:** [Company Name] [address] Attn: _____	**THE AREA ABOVE IS RESERVED FOR RECORDER'S USE**

APN: _____ File No.: _____

DOCUMENTARY TRANSFER TAX The undersigned Grantor declares that the following documentary transfer tax(es) is/are applicable to this transaction:

County: $_____. City: _____. The foregoing was:

_____ Computed on the consideration or value of property conveyed; OR

_____ Computed on the consideration or value less liens or encumbrance remaining at time of sale.

GRANT DEED

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, _____, a California _____ ("Grantor"), hereby grants, transfers and assigns to _____, a California _____ ("Grantee"), all of Grantor's interest in that certain real property ("Property") located in the City of _____, County of _____, State of California, which is more particularly described as:

See legal description attached hereto as Exhibit A and incorporated herein by this reference

SUBJECT TO all covenants, conditions, reservations, restrictions, rights of way and easements of record as of the date of recordation hereof.

IN WITNESS WHEREOF, this Grant Deed has been executed this ___ day of , 2003.

Dated: , 2003 STATE OF CALIFORNIA)) ss. COUNTY OF _____) On , 2003, before me , personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument. WITNESS my hand and official seal. Signature:_____	_____, a California _____ By: Its:

MAIL TAX STATEMENTS TO ADDRESS ABOVE

Exhibit A

Legal Description of Property

EXHIBIT D

FIRPTA AFFIDAVIT

NON-FOREIGN AFFIDAVIT UNDER INTERNAL REVENUE CODE SECTION 1445(b)(2)

STATE OF _____)
) ss:
COUNTY OF _____)

_____, being first duly sworn deposes and states under penalty of perjury:

1. That he/she is a _____of , a Delaware corporation, the transferor of the property located at [California].

2. That the transferor's office address is at _____.

3. That the United States taxpayer identification number for the transferor is 13-2745892.

4. That the transferor is not a "**foreign person**" as that term is defined in Section 1445(f) of the United States Internal Revenue Code of 1986, as amended (the "**Code**").

This affidavit is given to _____, a _____, the transferee of the property described in paragraph 1 above, for the purpose of establishing and documenting the nonforeign affidavit exemption to the withholding requirement of Section 1445 of the Code. The transferor understands that this affidavit may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

By: _____
Name:
Title:

Subscribed and sworn to
before me this __ day
of _____, 2003.

Notary Public:

EXHIBIT D-1

CALIFORNIA FORM 593-W

(see attached)



California Form 593-W and Instructions for Non-Individual Sellers Only

2003

Real Estate Withholding Exemption Certificate and Waiver Request for Non-Individual Sellers

Use this form to apply for a real estate sales withholding exemption or to request a waiver or reduction in the withholding.

FRANCHISE TAX BOARD

General Information

What's New

Assembly Bill 2065, expands withholding requirements to apply to resident individuals on California real property sales that close on or after January 1, 2003. The previous law applied to all nonresidents, including individuals. The new law also eliminates withholding waivers for all individuals after that date. We developed new forms to meet the new requirements. **Non-individual** sellers must use Form 593-W, *Real Estate Withholding Exemption Certificate and Waiver Request for Non-Individual Sellers,* to determine if they qualify for a withholding exemption or to request a waiver from withholding for the sale of California real estate. Form 593-W replaces Forms 597-E, 597-I, and those portions of 597-W that applied to non-individuals. Non-individuals are any type of entity other than individuals, such as corporations, estates, partnerships, trusts, etc. **Individual** sellers must use Form 593-C, *Real Estate Withholding Certificate for Individual Sellers,* to claim an exemption.

Purpose

When the following entities sell California real estate, the buyers must withhold 3 1/3 percent of the total sales price and submit it to the California Franchise Tax Board (California Revenue and Taxation Code Section 18662):

- Corporations that do not have a permanent place of business in California.
- Entities other than corporations that do not have a last known street address in California.

If you are a non-individual seller, your buyer need not withhold if you meet certain requirements. Also, you can request a waiver or a reduction of withholding if the 3 1/3 percent will result in significant over-withholding. To determine whether you qualify for a withholding exemption, or to request a waiver or reduction, you must complete the attached California Form 593-W as follows:

- Use Part I of Form 593-W to certify that you qualify for a withholding exemption for the sale of California real estate.
- Use Part II of Form 593-W to request a waiver or reduction of the required withholding for the sale of California real estate only when you believe your tax liability from the sale will be much less than 3 1/3 percent of the total sales price.

Who Must Withhold?

Although the law requires the buyer to withhold, the buyer can request the escrow person to do the withholding. We use the term *withholding agent* throughout these instructions to refer to either the escrow person or the buyer, whoever is taking responsibility for withholding.

What Is Real Estate Withholding?

Real estate withholding is:

- A prepayment of estimated income tax due from the gain on a sale of California real estate. If the amount withheld is more than the income tax liability, we will refund the difference when you file a California tax return after the end of the year.
- Not an additional tax on the sale of real estate.

Why Do We Withhold?

We withhold:

- To ensure payment of income tax owed on the taxable gain from the sale.
- To reduce the likelihood of penalties charged to the seller for underpayment of estimated tax.

Withholding Agent Instructions

- Provide Form 593-W, with instructions, to non-individual sellers with a last known street address outside of California as soon as escrow opens. We update our forms and instructions annually, so please make certain you use the most current form.
- The sellers should complete and sign Form 593-W, then give it to you.
    - If the sellers check "YES" on any of the boxes on Form 593-W, Part I, you are relieved of the real estate withholding requirements if you rely in good faith on the completed and signed form, certifying an exemption from withholding. You should retain the form for five years following the close of the transaction.
    - If the sellers check "NO" on all of the boxes on Form 593-W, Part I, they are subject to the withholding requirements. Non-individual sellers can request a waiver or reduction in withholding by completing Form 593-W, Part II. The completed request must be submitted to us before the close of escrow so we can make a determination.

      If the close of escrow or 45-day deadline is near and we have not responded to the waiver request, call us at (888) 792-4900 to check the status of the request before sending the payment.

      If no waiver request was submitted or you receive a determination letter from us stating there is still a withholding requirement, you must complete Form 597, *Real Estate Withholding Tax Statement,* and mail it to us with the amount withheld. If the seller requested a waiver, enter the confirmation number from our determination letter on Form 597. You must file a separate Form 597 for each seller with an amount withheld.

      Please see Form 597 for further instructions.

Contacting the Franchise Tax Board

To order California tax forms:

By Internet: You can download, view, and print California tax forms and publications. For real estate withholding forms, go to our Website at:

www.ftb.ca.gov

By automated phone service: Use this service to order California tax forms and current year federal forms. Have a paper and pencil ready to take notes.

From within the United States: . . . . . (800) 338-0505
From outside the United States (not toll-free): . . . . (916) 845-6600

Follow the recorded instructions. This service is available 24 hours a day, seven days a week.

By mail: Please allow two weeks to receive your order. If you live outside California, please allow three weeks to receive your order. Write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

In person: Many California libraries, post offices, and banks provide free California personal income tax booklets during the filing season. Most libraries and some quick print businesses have forms and schedules for you to photocopy (a nominal fee may apply). **Note:** Employees at libraries, post offices, banks, and quick print businesses cannot provide tax information or assistance.

CONTACT US WITH REAL ESTATE WITHHOLDING QUESTIONS AT:

(888) 792-4900 or (916) 845-4900 (not toll-free)

Telephone assistance is available from 8 a.m. until 5 p.m. Monday through Friday. We may modify these hours without notice to meet operational needs.

ASSISTANCE

(For state income tax issues unrelated to your real estate withholding)

Telephone assistance is available from 7 a.m. until 8 p.m. Monday through Friday and from 8 a.m. until 5 p.m. on Saturdays. We may modify these hours without notice to meet operational needs.

From within the United States, call . . . . . (800) 852-5711
From outside the United States, call (not toll-free) . . . . . (916) 845-6500

Website at: **www.ftb.ca.gov**

Assistance for persons with disabilities: We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD (800) 822-6268.

Part I - Withholding Exemption Certificate

Use this section to determine if you meet any of the exemptions to withholding.

Caution: Sellers who are individuals may not use this form. If you are an individual, get Form 593-C.

If you are a non-individual seller, we allow you an exemption from withholding if you meet any of the conditions in Part I. You need to complete and sign Form 593-W, Part I, then give it to your withholding agent.

Note: If you qualify for an exemption from withholding, you may still have to file a California tax return and pay any tax due on the sale of the California real estate.

Line 1 – Total Sales Price of Property
The total sales price of the California property is $100,000 or less. Multiple sellers of California property must use the total sales price of the property, not just their ownership percentage.

Line 2 – Corporation
A corporation has a permanent place of business in California if:

- It is organized and existing under the laws of California; or
- It is a non-California corporation qualified to transact intrastate business by the California Secretary of State;
- It still maintains and staffs a permanent office in California immediately after the sale.

Line 3 – Partnership
We do not require withholding if the recorded title to the property being transferred is in the name of a partnership. However, partnerships must withhold on distributions of California source income to domestic nonresident partners. They must also withhold on foreign partners' allocable shares of California source income whether distributed or not. (Get FTB Pub. 1017, *Nonresident Withholding Partnership Guidelines*, for withholding information.)

Line 4 – Limited Liability Company (LLC)
We do not require withholding if the recorded title to the property being transferred is in the name of an LLC that:

- Is classified as a partnership for federal and California income tax purposes; and
- Is not a single member LLC that is disregarded for federal and California income tax purposes.

If the LLC meets these conditions, the LLC must still withhold on distributions of California source income to domestic nonresident members. They must also withhold on foreign members' allocable shares of California source income whether distributed or not. (Get *FTB Pub. 1017, Nonresident Withholding Partnership Guidelines*, for withholding information.)

Note: If the LLC is a single member LLC that is disregarded for federal and California income tax purposes, then the seller is that single member. If the member is an individual, rules for individuals apply (See Form 593-C); if the member is a corporation, rules for corporations apply (Refer to Line 2); etc.

If the LLC is classified as a corporation for federal and California income tax purposes, then the seller is considered a corporation for withholding purposes. Refer to Line 2.

Line 5 – Tax-Exempt Entity
We do not require withholding if the seller is tax-exempt under either California or federal law.

Line 6 – Irrevocable Trust
An irrevocable trust is one that is bound by the conditions set forth in the trust instrument and cannot be terminated by the creators (or trustors) once created. An irrevocable trust is exempt from withholding if at least one trustee is a California resident. (Please note that a successor trustee that is a California resident does not exempt the trust from withholding unless the successor trustee has moved to a position of current responsible trustee.) However, irrevocable trusts must withhold on distributions of California source taxable income to nonresident beneficiaries. (Get FTB Pub. 1023, *Nonresident Withholding Independent Contractor, Rent & Royalty Guidelines*, for withholding information.)

Line 7 – Estate
An estate is exempt from withholding if the decedent was a California resident at the time of death. (Please note that this only applies if the estate is selling the property. We require withholding if a nonresident beneficiary, who inherited the property, is selling it.) However, estates must withhold on distributions of California source taxable income to nonresident beneficiaries. (Get FTB Pub. 1023, *Nonresident Withholding Independent Contractor, Rent & Royalty Guidelines*, for withholding information.)

Line 8 – Bank or Bank Acting as a Fiduciary for a Trust
The seller is a bank or a bank acting as a fiduciary for a trust.

Line 9 – Insurance Company, Individual Retirement Account, or Qualified Pension or Profit-Sharing Plan
The seller is an insurance company, Individual Retirement Account, or qualified pension or profit-sharing plan.

YEAR **2003**

Real Estate Withholding Exemption Certificate and Waiver Request for Non-Individual Sellers

CALIFORNIA FORM **593-W**

Part I Withholding Exemption Certificate

Seller's Information

Name	☐ CA corp. no. ☐ FEIN ☐ SOS file no. ☐ Social security no.	
Address	Private Mailbox no.	**Note:** If you do not furnish your tax ID number this certificate is void.
City, State, ZIP Code	Daytime number ( )	Ownership percentage
Property address (if no street address, provide parcel number and county)		

Read the following and check the appropriate box. **See line-by-line instructions, Part I – Withholding Exemption Certificate.**

	YES	NO
1. Is the total sales price of this property, before applying your percentage of ownership, $100,000 or less?	☐	☐
2. Is the seller a corporation that is either qualified through the California Secretary of State or has a permanant place of business in California?	☐	☐
3. Is the seller a partnership with recorded title to the property in the name of the partnership? (If yes, the partnership must still file a California tax return to report the sale and withhold on foreign and domestic nonresident partners as required. Get FTB Pub. 1017, *Nonresident Withholding Partnership Guidelines*, for withholding information.)	☐	☐
4. Is the seller (recorded title holder) a limited liability company (LLC) that is classified as a partnership and is not a disregarded single member LLC for federal and California income tax purposes? (If yes, the LLC must still file a California tax return to report the sale and withhold on foreign and domestic nonresident members as required. Get FTB Pub. 1017, *Nonresident Withholding Partnership Guidelines*, for withholding information.)	☐	☐
5. Is the seller a tax-exempt entity under either California or federal law?	☐	☐
6. Is the seller an irrevocable trust with at least one trustee who is a California resident? (If yes, the trust must still file a California tax return to report the sale and withhold when distributing California source taxable income to nonresident beneficiaries as required. Get FTB Pub. 1023, *Nonresident Withholding Independent Contractor, Rent & Royalty Guidelines,* for withholding information.)	☐	☐
7. Is the seller an estate where the decedent was a California resident at the time of death? (If yes, the estate must still file a California fiduciary tax return to report the sale and withhold when distributing California source taxable income to nonresident beneficiaries as required. Get FTB Pub. 1023, *Nonresident Withholding Independent Contractor, Rent & Royalty Guidelines,* for withholding information.)	☐	☐
8. Is the seller a bank or a bank acting as a fiduciary for a trust?	☐	☐
9. Is the seller an insurance company, Individual Retirement Account (IRA), or qualified pension/profit sharing plan?	☐	☐

Under penalties of perjury, I hereby certify that the information provided above is, to the best of my knowledge, true and correct. If conditions change, I will promptly inform the withholding agent. I understand that completing this form does **not** exempt me from filing a California income or franchise tax return to report this sale.

Seller's name and title (type or print)_____

Seller's signature_____ Date:_____

If you answered "YES" to **any** of the above questions, STOP HERE. You are exempt from the real estate withholding requirements. Provide this form to your escrow company or the buyer (withholding agent).

If you answered "NO" to **all** of the above questions, you are subject to the real estate withholding requirements. The required withholding is 3 1/3 percent of the **total** sales price. Do you expect your tax liability from the sale of this property to be substantially less than that amount? If so, would you like to request a reduced amount of withholding?

☐ Yes. Complete the Withholding Waiver Request (Part II) and send it to the Franchise Tax Board.

☐ No. STOP HERE. Your escrow officer will withhold 3 1/3 percent of the total sales price and send it to us on your behalf. Obtain the seller's copy of Form 597, *Real Estate Withholding Tax Statement* , from the escrow officer to attach to your California income tax return when you file and claim the amount withheld.

Withholding Agent: If you have a requirement to withhold, complete Form 597, *Real Estate Withholding Tax Statement*, and send one copy to us with the withholding payment and give two copies to the seller. Refer to the Form 597 Instructions.

YEAR **2003**

CALIFORNIA FORM **593-W**

Part II Withholding Waiver Request (please print or type)

Seller's Information

Name of seller (if more than one, see Part II – Withholding Waiver Request Instructions for multiple sellers)		Seller's Entity Type	☐ California corporation no. ☐ FEIN
Mailing address	Private Mailbox no.	☐ Corporation ☐ S Corporation ☐ Estate ☐ Trust	Seller's social security number (SSN)
City, state, and ZIP Code (province, country, and postal zone)			Seller's email address
Daytime number ( )	Ownership percentage		

Provide a brief explanation of your reason for requesting a waiver or reduced withholding. See instructions for examples of situations for which a waiver or reduced withholding is allowed and for the required information and documentation.

Property Information

Property address (if no street address, provide parcel number and county)

Seller acquired property by (check one):
☐ Purchase ☐ Inheritance ☐ Foreclosure/Repossession call **(888) 792-4900** U.S. toll-free or **(916) 845-4900**
☐ Gift ☐ 1031 Exchange
☐ Other_____

Use of property at time of sale:
☐ Rental / Commercial ☐ Vacant land
☐ Secondary / Vacation home ☐ Other (attach explanation)

Length of time used for this purpose: Years_____Months_____

Date seller acquired property

Seller's adjusted basis:
Purchase price $ _____
Add: improvements _____
Less: depreciation _____
Adjusted basis $ _____

Provide all required documentation listed in the instructions.

Escrow Information

Name and address of escrow company	Escrow company email address
	Name of escrow officer / Escrow number
	Escrow company or officer telephone number ( ) / FAX number ( )
Total sales price of property before applying your ownership interest	Estimated close of escrow date

Buyer's Information

Name of buyer (see Part II – Withholding Waiver Request Instructions if more than one)		Buyer's social security number (SSN)
Address (number and street, PO box or rural route)	Private Mailbox no.	☐ California corporation no. ☐ FEIN
City, state, and ZIP Code (province, country, and postal zone)		Buyer's spouse's SSN (if applicable)

Under penalties of perjury, I hereby certify that the information provided above is, to the best of my knowledge, true and correct. If conditions change, I will promptly inform the withholding agent and the Franchise Tax Board. I understand that completing this form does **not** exempt me from filing a California income or franchise tax return to report this sale.

Seller's name and title (type or print) _____

Seller's signature _____ Date: _____

Part II - Withholding Waiver Request Instructions

Use this section if you do not meet any of the exemptions to withholding as shown in Part I and you believe your estimated tax liability from the sale will be substantially less than the required withholding.

Caution: For sales closing on or after January 1, 2003, the law does not allow individuals to request reduced withholding from FTB. If you are an individual, you may not use this form. Get Form 593-C to see if you qualify for one of the exemptions for individuals.

We handle waiver requests for non-individuals on a case-by-case basis. Generally, we will reduce or eliminate the withholding amount when:

- The 3 1/3 percent withholding amount exceeds the estimated California tax liability from the sale. For example:

  Statutory Amount Computation:

Selling price	$250,000
Withholding rate	x 3.33%
Withholding amount	**$ 8,325**

  Reduced Amount Computation:

Gain on sale	$50,000
Maximum tax rate	x 8.84% *
Estimated tax liability	**$ 4,420**

  In this example, we will reduce the withholding amount from $8,325 to $4,420. If the documentation provided shows that the estimated tax liability would be $0 from the sale, we will grant a full waiver.

  *The current maximum tax rates are 9.3 percent for estates and trusts and 8.84 percent for corporations.

- The transaction involves an Internal Revenue Code (IRC) Section 1031 exchange, a foreclosure, or an installment sale.
- The transaction involves multiple sellers, and only some are subject to withholding.

Note: The statutory withholding amount is 3 1/3 percent of the total sales price regardless of the percentage of interest owned in the property.

Supporting Documentation

To compute your estimated tax liability, you must provide the documents listed below. We may request additional information on a case-by-case basis. Do not send original documents.

Required With All Waiver Requests

- ✓ The current sale escrow document (estimated or final closing statement).
- ✓ A list of any improvements and related costs (except for IRC Section 1031 Exchanges).
- ✓ The depreciation schedule (if property has been used for rental or commercial purposes). Do not provide for IRC Section 1031 exchanges.

Required for Any of the Following Situations:

If You Acquired by Purchase

- ✓ The grant deed for the original purchase showing the transfer tax, or
- ✓ The purchase escrow document (closing statement) from the original purchase.

If You Acquired by IRC Section 1031 Exchange

- ✓ A completed federal Form 8824, Like-Kind Exchanges, or
- ✓ The sales escrow statements for the property given up and purchase escrow statement for property received.

If You Inherited Through an Estate (Probate)

- ✓ The court documents showing the fair market value of the property at the time of inheritance.

If You Inherited Through a Trust

- ✓ The trust documents showing inheritance.
- ✓ The death certificate.
- ✓ The appraisal as of inheritance date.

If You Acquired Through Right of Survivorship (Joint Tenancy)

- ✓ The death certificate.
- ✓ Also include any one of the following:
  - An appraisal of the property at the time of death.
  - The federal Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return.
  - The probate court document.
  - The original purchase statement.
  - The original grant deed.

If You Are Selling Using IRC Section 1031 Exchange

Include the following information in the box provided for explaining your waiver request in Seller's Information:

- Indicate this will be an IRC Section 1031 exchange,
- Indicate whether the exchange will be simultaneous or non-simultaneous,
- Provide name, address, and phone number of the intermediary or accommodator, and
- Provide address or location of the replacement property (if identified).

If it is a simultaneous exchange, withholding will still be required in escrow for any proceeds you receive.

If it is a non-simultaneous exchange, the withholding agent must transfer the proceeds from the sale directly to an intermediary or accommodator. The intermediary or accommodator must withhold from any cash or cash equivalent (boot) received by the seller.

If the exchange does not take place, or if the exchange does not qualify for nonrecognition treatment under IRC Section 1031, the withholding agent must withhold 3 1/3 percent of the total sales price of the real property sold.

If You Will Carry a Note (Installment Sales)

- ✓ The note agreement.

Include the following statement in the box provided for explaining your waiver request in the Seller's Information:

"As a condition to obtaining a waiver to the withholding requirement, the seller/transferor agrees to do the following:

1. *File a California income or franchise tax return for the year of the sale and any year in which principal payments are received on the note; and*
2. *Make estimated income tax payments that reflect the income tax due on principal payments received."*

If You Reacquired the Property (Foreclosure or Repossession)

- ✓ The original sale escrow document from the first time you sold the property before foreclosure.
- ✓ The original purchase escrow document (closing statement) from when you originally purchased the property.
- ✓ The statement of the amount of cash (down payment) received on the original sale before foreclosure.
- ✓ The statement of the amount of notes received or carried before foreclosure. Provide copies of the notes carried.
- ✓ The statement of the balance due remaining on the note.
- ✓ A list of foreclosure costs (the costs to get the property back).
- ✓ The calculation of the gain from the original sale.
- ✓ A copy of federal Form 6252, *Installment Sale Income*, or California form FTB 3805E, *Installment Sale Income*, filed with your tax return in the year of the original sale.
- ✓ The Deed In-Lieu of Foreclosure or Trustee's Deed Upon Sale.
- ✓ A brief chronological outline of your property ownership, from when you first acquired the property to the present.

If There Are Multiple Sellers

Enter the information for the primary nonresident seller on this form and attach a separate sheet listing the following for each additional seller:

- ✓ Name.
- ✓ Address.
- ✓ Telephone number.
- ✓ Ownership percentage.
- ✓ Entity type.
- ✓ Tax ID number.

Also state whether or not each additional non-individual seller should be included in this waiver request. If any of the additional sellers are individuals, then the withholding agent must withhold on the individual sellers unless they meet one of the exemptions on Form 593-C.

If There Are Multiple Buyers

If the buyers are husband and wife, enter both names on the form and include both social security numbers. Otherwise, enter the information for the primary buyer on this form and attach a separate sheet listing the following for each additional buyer:

- ✓ Name.
- ✓ Address.
- ✓ Tax ID number.

When to File Your Waiver Request

Complete Form 593-W, Part II, and send it to us as soon as escrow opens.

Generally, we do not accept a request for waiver or reduction after the close of escrow. We will accept the request after the close of escrow only if the parties to the transaction have instructed the withholding agent to hold the full withholding amount to allow time for waiver processing.

If you do not promptly file Form 593-W with us, and title passes to the buyer before we can process the application, there is a withholding requirement of 3 1/3 percent of the total sales price. After title has passed to the buyer and we receive the withholding amount, there is no provision to authorize an early refund. You can claim the amount withheld as a credit against your income or franchise tax liability when you file your California tax return after the end of the year.

Where to File Your Waiver Request

Fax Form 593-W, Part II, and supporting documentation to (916) 845-9512, or mail to:

WITHHOLDING SERVICES AND COMPLIANCE SECTION
FRANCHISE TAX BOARD
PO BOX 651
SACRAMENTO CA 95812-0651

If you send your request by fax, do not send the original request by mail.

After You Submit a Waiver Request to Us

We usually process applications within 45 days after receipt of all necessary information. Please wait 10 working days after faxing your request and 13 working days after mailing your request before contacting us. If you have not received a response from us by the time title transfers, you should instruct the withholding agent to hold the full withholding amount in trust up to 45 days from the date title transfers.

If we issue a withholding waiver or reduction, it applies for the limited purpose of determining the withholding obligation under Revenue and Taxation Code Section 18662. The withholding waiver or reduction does not apply to other issues that may arise in connection with the transfer. We may accept evidence submitted with a waiver request for the purpose of issuing the withholding waiver or reduction; however, this evidence may not be adequate for other issues related to the transfer.

If you receive a waiver or a reduction of withholding, you may still have a California filing requirement and a requirement to pay any tax due on the sale of the California real estate. Call (800) 852-5711 if you do not know whether you must file a California tax return.

Sellers that are S-corporations, estates, or trusts may need to flow the withholding through to shareholders or beneficiaries. For further instructions, see the following California forms:

- ☐ Form 592, Nonresident Withholding Annual Return.
- ☐ Form 592-A, Nonresident Withholding Remittance Statement.
- ☐ Form 592-B, Nonresident Withholding Tax Statement.

EXHIBIT E

SALE PROCEDURES

Sale Procedures

Set forth below are the sale procedures (the "**Sale Procedures**") to be employed with respect to the prospective sale by Pine Grove Hospital Corporation ("**Pine Grove**") and certain of its affiliated debtors, as debtors and debtors in possession (collectively, with Pine Grove, the "**Seller**"), of all or substantially all of the assets of Pine Grove (the "**Assets**"). The Seller shall seek the entry of an order from the Bankruptcy Court authorizing and approving the Sale (as hereinafter defined) to one or more Qualified Bidders (as hereinafter defined) which the Seller, in consultation with the official committee of unsecured creditors (the "**Committee**") may determine to have the highest best or otherwise financially superior offer (the "**Successful Bidder**").

Assets to be Sold

Seller is offering for sale in one or more transactions (the "**Sale**") all or substantially all of the Assets.

The Bidding Process

In general, and subject to the details and terms contained in these Sale Procedures, Seller and its advisors, in consultation with the Committee, shall (i) determine whether any person is a Potential Bidder or a Qualified Bidder (as each term is hereinafter defined), (ii) coordinate the efforts of Potential Bidders and Qualified Bidders in conducting their due diligence investigations, (iii) receive offers from Potential Bidders, (iv) select one or more offers from Potential Bidders to purchase the Assets and negotiate a Stalking Horse Bid (as hereinafter defined), (v) receive competing bids from Qualified Bidders and (vi) select a Successful Bidder (as hereinafter defined) (collectively, the "**Bidding Process**"). Any person who wishes to participate in the Bidding Process must be a Potential Bidder to submit an Initial Bid (as hereinafter defined) and a Qualified Bidder to submit a Competing Bid (as hereinafter defined) and to participate in the Auction (as hereinafter defined). Neither Seller nor its representatives shall be obligated to furnish any information of any kind whatsoever to any person who is not determined to be a Potential Bidder. Seller, in consultation with the Committee, shall have the right to adopt such other rules for the Bidding Process (including rules that may depart from those set forth herein), which rules will better promote the goals of the Bidding Process and which are not inconsistent with any of the other provisions hereof or of any Bankruptcy Court order.

Participation Requirements

Unless otherwise ordered by the Bankruptcy Court or determined by Seller, in consultation with the Committee, each person interested in participating in the Bidding Process must deliver (unless previously delivered) to Seller:

(i) An executed confidentiality agreement in substantially similar form to that attached hereto as Annex 1; and

(ii) Current audited financial statements of the Potential Bidder, or, if the Potential Bidder is an entity formed for the purpose of acquiring the Assets, current audited financial statements of the equity holder(s) of the Potential Bidder, or such other form of financial disclosure acceptable to Seller and its advisors, in consultation with the Committee, demonstrating such Potential Bidder's ability to close a proposed transaction.

Each person that delivers the documents described in subparagraphs (i) and (ii) is a "**Potential Bidder**." A "**Qualified Bidder**" is a Potential Bidder that Seller, in consultation with the Committee, determines is reasonably likely (based on financial information submitted by the Potential Bidder, the availability of financing, experience and other considerations deemed relevant by Seller, in consultation with the Committee) to submit a bona fide offer and to be able to consummate the purchase of the Assets if selected as a Successful Bidder.

No later than two business days after a Potential Bidder delivers all of the materials required by subparagraphs (i) and (ii) above, Seller shall determine, and shall notify the Potential Bidder, if such Potential Bidder is a Qualified Bidder.

A form of asset purchase agreement regarding the Pine Grove real property assets, and a form of purchase agreement regarding the Pine Grove non-real property assets (collectively, the "**Form Agreement**") will be provided to Potential Bidders beginning on April 21, 2003.

Due Diligence

The Seller may afford any Potential Bidder the opportunity to conduct reasonable due diligence of the Assets with the assistance of Pine Grove's employees. The Seller will designate an employee or other representatives to coordinate all reasonable requests for additional information and due diligence access from such Potential Bidders. The Sellers shall not be obligated to furnish any information to a Potential Bidder after the Initial Bid Deadline (as hereinafter defined).

Neither the Seller nor any of its respective representatives are obligated to furnish any information to any person other than a Potential Bidder. The Seller is not responsible for, and will bear no liability with respect to, any information obtained by Potential Bidders in connection with the sale of the Assets.

Initial Bid Deadline

A Potential Bidder who desires to make a bid (an "**Initial Bid**") shall deliver a written copy of its bid to (1) Deryck A. Palmer, Esq., Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York, 10153, (2) Andrew M. Troop, Esq., Weil,

Gotshal & Manges, 101 Federal Street, Boston, Massachusetts 02110; and (2) Thomas M. Barry, Cain Brothers & Company, LLC ("Cain Brothers"), 425 Fifth Avenue, 25th Floor, New York, New York 10018, not later than 12:00 p.m. (Eastern Daylight Time) on May 1, 2003 the day (the "**Initial Bid Deadline**").

Stalking Horse Bid Requirements

All Initial Bids must include the following documents (the "**Required Stalking Horse Bid Documents**"):

- A letter stating that the bidder's offer is irrevocable until May 15, 2003.
- An executed copy of the purchase agreement(s) marked to show modifications to the Form Agreement that the Potential Bidder proposes, including the overall purchase price contemplated by the agreement(s).
- A good faith deposit (the "**Initial Good Faith Deposit**") in the form of a certified check (or other form acceptable to Seller in its sole discretion) payable to the order of Seller (or such other party as Seller may determine) in an amount equal to ten percent (10%) of the proposed price.
- Written evidence of a commitment for financing or other evidence of the ability to consummate the Sale satisfactory to Seller with appropriate contact information for such financing sources.

Seller, in consultation with the Committee, may choose to disregard bids that are conditioned on obtaining financing or on the outcome of unperformed due diligence by the bidder.

Selection of Stalking Horse Bid

Cain Brothers shall immediately distribute copies of the bids to counsel for the Committee. On or before May 8, 2003, Seller, after consultation with the Committee, shall select one or more Potential Bidders submitting Initial Bids received by the Initial Bid Deadline (collectively, the "**Stalking Horse Bidder**") with whom the Seller shall negotiate one or more agreements (collectively, the "**Stalking Horse Bid**") for the sale of the Assets, which Stalking Horse Bid shall be subjected to an Auction to be held in accordance with the terms described hereafter.

On or before May 15, 2003, the Seller will finalize the Stalking Horse Bid in the form of one or more agreements (collectively, the "**Agreement**"), and will provide notice and a copy of the Agreement to all Potential Bidders who submitted bids by the Initial Bid Deadline and any parties who by that date have otherwise qualified as Potential Bidders. The Seller will return to each Potential Bidder not selected as the

Stalking Horse Bidder such Potential Bidder's Initial Good Faith Deposit prior to the Bid Deadline (as hereinafter defined), unless otherwise instructed by the Potential Bidder to hold such Initial Good Faith Deposit in connection with the submission of a Competing Bid (as hereinafter defined).

Auction Bid Deadline

A Qualified Bidder who desires to submit a competing bid to the Stalking Horse Bid (a "**Competing Bid**") shall deliver a written copy of its bid to (1) Deryck A. Palmer, Esq., Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York, 10153, (2) Andrew M. Troop, Esq., Weil, Gotshal & Manges, 101 Federal Street, Boston, Massachusetts 02110; and (2) Thomas M. Barry, Cain Brothers & Company, LLC, 425 Fifth Avenue, 25th Floor, New York, New York 10018, not later than 12:00 p.m. (Eastern Daylight Time) on the day that is five (5) business days after the Sellers have provided notice of the Agreement (the "**Bid Deadline**"). Cain Brothers shall immediately distribute copies of the Competing Bids to counsel for the Committee. Seller, after consultation with the Committee, shall announce the terms of the highest, best or otherwise financially superior Qualified Bid(s) received by the Bid Deadline (the "**Best Competing Bid**") no later than 5:00 p.m. (Eastern Daylight Time) on the first business day after the Bid Deadline.

Auction Bid Requirements

All Competing Bids must include the following documents (the "**Required Bid Documents**"):

- A letter stating that the bidder's offer is irrevocable until the later of (i) two business days after the Assets have been disposed of pursuant to these Sale Procedures, and (ii) 30 days after the Sale Hearing.

- An executed copy of a purchase agreement(s) marked to show modifications to the Agreement that the Qualified Bidder proposes (the "**Marked Agreement**"), including identifying the overall purchase price contemplated by the agreement(s), which must exceed the purchase price offered by Buyer by at least five percent (5%) (the "**Required Bid Value**").

- A good faith deposit (the "**Good Faith Deposit**") in the form of a certified check (or other form acceptable to Seller in its sole discretion) payable to the order of Seller (or such other party as Seller may determine) in an amount equal to ten percent (10%) of the proposed price; if Seller is holding an Initial Good Faith Deposit from such bidder, the bidder may supplement such Initial Good Faith Deposit (if necessary) to provide the Good Faith Deposit.

- Written evidence of a commitment for financing or other evidence of the ability to consummate the Sale satisfactory to Seller with appropriate contact information for such financing sources.

Seller, in consultation with the Committee, may choose to disregard Competing Bids that are conditioned on obtaining financing or on the outcome of unperformed due diligence by the bidder. A Competing bid received from a Qualified Bidder that includes all of the Required Bid Documents and meets all of the above requirements is a "**Qualified Bid**."

There is no requirement that a Qualified Bid includes more or less Assets than are covered by the Agreement. Seller, in consultation with the Committee, reserves the right to determine (i) the value of any Qualified Bid, (ii) whether any Qualified Bid (either by itself or in connection with another Qualified Bid(s) provides overall value to Seller that is equal to, or in excess of, the Required Bid Value or any other Qualified Bid and (iii) which Qualified Bid(s) constitutes the highest, best and otherwise financially superior offer. Seller's determination in this regard may include an analysis of the value (whether positive or negative) of any Assets that are included in or excluded from any Qualified Bid, the existence or absence of any escrow or indemnity and consideration of the Topping Fee (as hereinafter defined), if applicable.

Bid Protection

Recognizing the expenditure of time, energy and resources that will be incurred by the Stalking Horse Bidder(s), Seller will provide certain bidding protections to the Stalking Horse Bidder(s). Specifically, Seller has determined that the Stalking Horse Bid(s) will further the goals of the Sale Procedures by setting a floor which all other potential bids must exceed. As a result, Seller will agree to pay to the Stalking Horse Bidder(s), in certain limited circumstances as set forth in the Form Agreement (and as may be further provided in the Stalking Horse Bid(s)), a topping fee of three percent (3%) plus the cost of a Phase I environmental assessment reimbursed to Seller by the Stalking Horse Bidder(s) (the "**Topping Fee**").

"As Is, Where Is"

The sale of the Assets shall be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by Seller, its agents or their estate except to the extent set forth in the applicable agreement of the Successful Bidder as accepted by Seller. Except as otherwise provided in the applicable agreement, all of Seller's right, title and interest in and to the Assets subject thereto shall be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests thereon and there against (collectively, the "**Interests**") in accordance with section 363 and 365 of the Bankruptcy Code, with such Interests to attach to the net proceeds of the sale of the Assets.

Each Potential Bidder and each Qualified Bidder shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Assets prior to making its offer, that it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Assets in making its bid, and that it did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bidding Procedures or, as to the Successful Bidder, the terms of the sale of the Assets shall be set forth in the applicable agreement.

Auction

If one or more Qualified Bids (other than that of the Stalking Horse Bidder(s), who are deemed to be Qualified Bidders and whose Stalking Horse Bid(s) are deemed to be Qualified Bids) have been received by the Bid Deadline, Seller shall conduct an auction (the "**Auction**") with respect to the Assets. The Auction shall commence on the date that is two (2) business days after the Bid Deadline at the offices of Stutman, Treister & Glatt, Professional Corporation, 3699 Wilshire Boulevard, Los Angeles, California, 90010 commencing at 10:00 a.m. local Los Angeles, California time. Seller shall notify all Qualified Bidders who have submitted Qualified Bids of the time and place of the Auction. If there is no timely Qualified Bid (other than that of the Stalking Horse Bidder(s)), the Stalking Horse Bidder(s) shall be deemed to be the Successful Bidder.

Only a Qualified Bidder who has submitted a Qualified Bid is eligible to participate at the Auction. During the Auction, bidding shall begin initially with the Best Competing Bid and subsequently continue in minimum increments of at least $50,000. Except as otherwise disclosed herein, Seller, in consultation with the Committee, may conduct the Auction in the manner they determine will result in the highest, best or otherwise financially superior offer(s) for the Assets.

Upon conclusion of the bidding, the Auction shall be closed, and Seller, in consultation with the Committee, shall (i) immediately review each Qualified Bid or Bids on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the Sale, and (ii) within one day identify the highest, best or otherwise financially superior offer(s) for the Assets (the "**Successful Bid**" and the entity or entities submitting such Successful Bid, the "**Successful Bidder**"), which highest, best or otherwise financially superior offer(s) will provide the greatest amount of net value to Seller after payment of, among other things, the Topping Fee, if required and advise the Qualified Bidders participating in the Auction of such determination.

Acceptance of Qualified Bids

Seller shall sell the Assets to the Successful Bidder upon the approval of the Successful Bid by the Bankruptcy Court after hearing (the "**Sale Hearing**"). Seller's presentation of a particular Qualified Bid to the Bankruptcy Court for approval does not constitute Seller's acceptance of the bid. Seller will be deemed to have accepted a bid only when the bid has been approved by the Bankruptcy Court at the Sale Hearing.

Sale Hearing

The Sale Hearing will be held before the Honorable S. Martin Teel, Jr. on May 29, 2003 at ____ a.m. (Eastern Daylight Time) at the United States Bankruptcy Court for the District of Columbia, but may be adjourned or rescheduled without further notice by an announcement of the adjourned date at the Sale Hearing.

Following the Sale Hearing approving the sale of the Assets to the Successful Bidder, if such Successful Bidder fails to consummate an approved sale, the next highest or otherwise best Qualified Bid, as disclosed at the Sale Hearing, shall be deemed to be the Successful Bid and Seller shall be authorized, but not required, to consummate the sale with the Qualified Bidder submitting such bid without further order of the Bankruptcy Court.

Return of Good Faith Deposit

Good Faith Deposits of all Qualified Bidders (except for the Successful Bidder) shall be held in an interest-bearing escrow account until the Sale Hearing. If a Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, Seller shall be entitled to retain the Good Faith Deposit as part of its damages resulting from the breach or failure to perform by the Successful Bidder.

Modifications

Seller, in consultation with the Committee, may (a) determine, which Qualified Bid, if any, is the highest, best or otherwise financially superior offer; and (b) reject at any time before entry of an order of the Bankruptcy Court approving a Qualified Bid, any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bidding Procedures, or the terms and conditions of sale, or (iii) contrary to the best interests of Seller, its estates and creditors. At or before the Sale Hearing, Seller, in consultation with the Committee, may impose such other terms and conditions as Seller, in consultation with the Committee, may determine to be in the best interests of Seller' estate, its creditors and other parties in interest.

EXHIBIT F

FORM OF ESCROW AGREEMENT

ESCROW AGREEMENT

Escrow No. _____ Refer to _____
Title No. _____ Phone No. _____
Fax No. _____ Date _____

ESCROW AGREEMENT

TO: Chicago Title Insurance Company, escrow agent.

Customer Identification:
Name: _____
Property Address: 7011 Shoup Avenue, Canoga Park, California
Project Reference: _____
Proposed Distribution Date: _____

DEPOSITS:

(Certified) (Uncertified) (Cashier's) check(s) and/or wire(s) in the amount (s) of $_____representing:

1. _____.
2. _____.
3. _____.

DOCUMENT(S) DEPOSITS:

Type of Documents:

1. _____.
2. _____.
3. _____.

CONDITIONS FOR Chicago Title Insurance Company's service as escrow agent:

1. Escrow Agent is not a party to, and is not bound by, or charged with notice of any agreement out of which this escrow may arise other than this escrow agreement. This escrow agreement is being executed in connection with the Real Estate Purchase Contract dated May __, 2003 between Pine Grove Hospital Corporation (the "Seller") and Pine Grove Partners, LLC (the "Buyer").

2. Escrow Agent is acting solely as a stakeholder and depository, and is not responsible or liable in any manner whatever for the sufficiency, correctness, genuineness, or validity of the subject matter of the escrow, or for the identity or authority of any person executing or depositing it.

3. Buyer and Seller agree to jointly and severally indemnify, defend and hold harmless the Escrow Agent from and against any loss, cost, damage, expense and attorney's fee

(collectively called "Expenses") in connection with or in any way arising out of this Escrow Agreement, other than expenses resulting from the Escrow Agent's own gross negligence or willful misconduct.

4. The Escrow Agent shall be protected in acting upon any written notice, request, waiver, consent, certificate, receipt, authorization, power of attorney or other document Escrow Agent in good faith believes to be genuine and what it purports to be.The Escrow Agent may, at the joint expense of Buyer and Seller, consult with legal counsel in the event of any dispute or questions as to the construction of any provisions hereof or its duties hereunder, and it shall be fully protected in acting in accordance with the opinion or instructions of such counsel.

5. In the event of a dispute between the Buyer and Seller, the Escrow Agent may continue to hold the deposits pursuant to the terms hereof, or may, at the joint and several cost of the Buyer and Seller, deposit the same in the United States Bankruptcy Court for the District of Columbia. The Escrow Agent may dispose of the deposits in accordance with an order of said court, and shall be fully protected if it acts in accordance with any such court order.

6. Deposits made pursuant to these instructions may be invested on behalf of any party or parties hereto: Provided that any direction to the Escrow Agent for such investment shall be in writing and contain the consent of all other parties to this escrow; and also provided that the writing is on the "INVESTMENT OF ESCROW FUNDS INSTRUCTION" form of Chicago Title Insurance Company, and a completed, signed W-9 Form accompanies it. Chicago Title Insurance Company is not to be held responsible for the loss of principal or interest on any investment made pursuant to the aforesaid instruction or in the redemption thereof.

7. Except as to deposits of funds for which the Escrow Agent has received written instructions as set forth in paragraph 6 above, the funds may be commingled with other escrowed funds in a non-segregated escrow account of Chicago Title Insurance Company.

8. Funds deposited in escrow with Chicago Title Insurance Company shall only be sent, wired or distributed out of the escrow account upon joint written instructions from the Seller and the Buyer. In the case of a wire, funds may be wired out of the escrow account unless and until a duly completed and executed "AUTHORIZATION FOR OUTGOING WIRE" form is received for each proposed wire. Said form is shown on Exhibit "A" hereto. Execution of this escrow agreement is deemed an agreement by the parties to complete and execute such "AUTHORIZATIONS FOR OUTGOING WIRES" as required by Chicago Title Insurance Company, as Escrow Agent, in its sole discretion.

IN WITNESS WHEREOF, the Buyer, Seller and Escrow Agent have executed this Agreement as of the date hereinabove first written.

PINE GROVE HOSPITAL CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

Chicago Title Insurance Company
By: _____
Name:
Title:

EXHIBIT G

FORM OF SALE ORDER

UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLUMBIA

In re:	:	
GREATER SOUTHEAST COMMUNITY HOSPITAL CORPORATION I, et al.,	:	**Case No. 02- 2250 (SMT) Jointly Administered (Chapter 11)**
Debtors.	:	

ORDER GRANTING AUTHORITY TO SELL SUBSTANTIALLY ALL ASSETS OF PINE GROVE HOSPITAL CORPORATION FREE AND CLEAR OF ALL LIENS, INTERESTS, CLAIMS AND ENCUMBRANCES

At Washington, D.C., May_____, 2003.

This matter came before me on the April 18, 2003 *Motion for (a) Approval of Sale Procedures and (b) Authority to Sell Substantially all Assets of Pine Grove Hospital Corporation Free and Clear of All Liens, Interests, Claims and Encumbrances* (the "Motion") of Pine Grove Hospital Corporation ("Pine Grove") and certain of its affiliated debtors,[1] as debtors and debtors in possession (collectively, with Pine Grove, the "Debtors"). The Motion requested that I approve the Sale Procedures (as defined in the Motion) and authorize the sale of the Pine Grove assets as provided in the Motion. The Sale Procedures have been authorized by a separate order entered on May 7, 2003 (the "Sale Procedures Order"). This Order addresses the sale of the Pine Grove assets.

[1] The affiliated debtors are PACIN-Hadley Memorial Hospital Corporation of Washington, D.C. ("Hadley"), Michael Reese Medical Center Corporation of Chicago, Illinois ("Michael Reese"), Pacifica Hospital of the Valley Corporation of Sun Valley, California ("Pacifica"), Greater Southeast Community Hospital Corporation I of Washington, D.C. ("Greater Southeast") and their ultimate parent corporation, Doctors Community Hospital Corporation ("DCHC").

The Court, having considered the Motion, the circumstances of this case, the arguments of counsel and the record established at the hearing on May 30, 2003 (the "Sale Hearing"), and the Purchase Agreement (as hereinafter defined) hereby **FINDS** as follows:

1. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §1334. Consideration of this matter is a core proceeding pursuant to 28 U.S.C. §157(b). Venue of this proceeding is proper before this Court pursuant to 28 U.S.C. §§1408 and 1409.

2. In light of the Debtors' current condition, including the loss of the LPS Designation (as defined in the Motion) for Pine Grove and the continuing operational losses associated with the Pine Grove assets, the sale of the Pine Grove assets pursuant to sections 363, 365 and 1146 of the Bankruptcy Code and rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure, and in compliance with the Sale Procedures Order, is in the best interests of the Debtors' estates.

3. The requirements for a sale of substantially all the assets of Pine Grove pursuant to section 363 of the Bankruptcy Code are satisfied.

a. The sale of the Pine Grove assets is supported by the sound business judgment of the Debtors' management.

b. The Debtors have provided reasonable and adequate notice of the sale to interested parties.

c. The sale price, achieved through compliance with the Sale Procedures, is fair and reasonable, and the Debtors are receiving reasonably equivalent fair value for the assets.

d. The process of the selection of the Stalking Horse Bidder (as defined in the Motion) and the competitive bidding process culminating in the auction were conducted in a manner consistent with the requirements of good faith on the part of the Debtors.

_____, (the "Successful Bidder") is a good faith purchaser as that term is used in section 363(m) of the Bankruptcy Code and is entitled to the protections thereof.

4. The requirements of section 363(f) of the Bankruptcy Code are satisfied, in that any party holding an Encumbrance (as defined in the Motion) has consented to the sale of the Pine Grove assets free and clear of such Encumbrance, or could be compelled to accept a money satisfaction of such Encumbrance.

5. The assumption and assignment of executory contracts and unexpired leases as designated by the Successful Bidder and listed on Exhibit A hereto is approved. Any party to an executory contract or unexpired lease who objects to the proposed assumption and assignment of such contract or lease to the Successful Bidder had sufficient notice and opportunity to be heard regarding such objection at the Sale Hearing.

6. The sale of the Pine Grove assets will put an end to continuing losses associated with those assets, enhance the Debtors' liquidity, and thereby increase the ability of the Debtors to formulate and propose a plan of reorganization. Accordingly, it is appropriate that the provisions of section 1146(c) of the Bankruptcy Code be applied to the sale and the sale should not be taxed under any law imposing a stamp or similar tax.

7. Under the circumstances, due and proper notice of the Motion was given and no other or further notice is required.

Accordingly, it is hereby **ORDERED**:

A. Any objections to the sale of the Pine Grove assets to the Successful Bidder pursuant to the agreement attached as Exhibit B hereto (the "Purchase Agreement"), to the extent not previously withdrawn, are hereby overruled.

B. The sale of the Pine Grove assets to the Successful Bidder pursuant to the Purchase Agreement shall be and hereby is approved on the terms and conditions set forth in the Purchase Agreement, the terms and conditions of which are approved in all respects.

C. Pursuant to section 363(f) of the Bankruptcy Code, the assets conveyed by the Purchase Agreement shall be transferred to the Successful Bidder free and clear of any Encumbrances, with any such Encumbrances to attach to the proceeds of the sale in the order of their priority, with the same validity, force and effect which they now have against the assets conveyed by the Purchase Agreement. Such proceeds shall be applied by the Debtors in accordance with any debtor-in-possession financing now in place or, if no such facility is in place, the proceeds shall be held by the Debtors and used by them in accordance with any cash collateral order now in place.

D. The assumption and assignment to the Successful Bidder of the executory contracts and unexpired leases on Exhibit A hereto is approved.

E. The Purchase Agreement and the transfer of the assets thereunder is not subject to taxation under any state or local law imposing a stamp, transfer or similar tax.

F. This Order shall become effective and enforceable immediately upon entry, and the ten day stay of rules 6004(g) and 6006(d) of the Federal Rules of Bankruptcy Procedure is hereby waived.

G. This Court retains jurisdiction (i) to enforce and implement the terms and provisions of the Purchase Agreement, all amendments thereto, any waivers and consents thereunder, and of each of the agreements executed therewith, (ii) to resolve any disputes arising

under or related to the sale of the Pine Grove assets pursuant to the Purchase Agreement, and (iii) to interpret, implement and enforce the provisions of this Order.

Dated: Washington, DC
May ___, 2003

S. Martin Teel, Jr.
United States Bankruptcy Judge

ESCROW AGREEMENT

Escrow No. _____
Title No. 1223-0940
Fax No. 212-88-1403

Refer to _____
Phone No. 212-880-1296
Date: May 27, 2003

ESCROW AGREEMENT

TO: Chicago Title Insurance Company, escrow agent.

Customer Identification:
Name: Pine Grove Hospital Corporation
Property Address: 7011 Shoup Avenue, Canoga Park, California
Project Reference: none
Proposed Distribution Date: June 5, 2003

DEPOSITS:

1. Certified check(s) in the amount (s) of $530,000.00 and $165,000.00.

DOCUMENT(S) DEPOSITS:

Type of Documents:
1. _____.
2. _____.
3. _____.

CONDITIONS FOR Chicago Title Insurance Company's service as escrow agent:

1. Escrow Agent is not a party to, and is not bound by, or charged with notice of any agreement out of which this escrow may arise other than this escrow agreement. This escrow agreement is being executed in connection with the Real Estate Purchase Contract dated May 27, 2003 between Pine Grove Hospital Corporation (the "Seller") and Pine Grove Partners, LLC (the "Buyer").

2. Escrow Agent is acting solely as a stakeholder and depository, and is not responsible or liable in any manner whatever for the sufficiency, correctness, genuineness, or validity of the subject matter of the escrow, or for the identity or authority of any person executing or depositing it.

3. Buyer and Seller agree to jointly and severally indemnify, defend and hold harmless the Escrow Agent from and against any loss, cost, damage, expense and attorney's fee (collectively called "Expenses") in connection with or in any way arising out of this Escrow Agreement, other than expenses resulting from the Escrow Agent's own gross negligence or willful misconduct.

4. The Escrow Agent shall be protected in acting upon any written notice, request, waiver, consent, certificate, receipt, authorization, power of attorney or other document Escrow Agent in good faith believes to be genuine and what it purports to be. The Escrow Agent may, at the joint expense of Buyer and Seller, consult with legal counsel in the event of any dispute or questions as to the construction of any provisions hereof or its duties hereunder, and it shall be fully protected in acting in accordance with the opinion or instructions of such counsel.

5. In the event of a dispute between the Buyer and Seller, the Escrow Agent may continue to hold the deposits pursuant to the terms hereof, or may, at the joint and several cost of the Buyer and Seller, deposit the same in the United States Bankruptcy Court for the District of Columbia. The Escrow Agent may dispose of the deposits in accordance with an order of said court, and shall be fully protected if it acts in accordance with any such court order.

6. Deposits made pursuant to these instructions may be invested on behalf of any party or parties hereto: Provided that any direction to the Escrow Agent for such investment shall be in writing and contain the consent of all other parties to this escrow; and also provided that the writing is on the "INVESTMENT OF ESCROW FUNDS INSTRUCTION" form of Chicago Title Insurance Company, and a completed, signed W-9 Form accompanies it. Chicago Title Insurance Company is not to be held responsible for the loss of principal or interest on any investment made pursuant to the aforesaid instruction or in the redemption thereof.

7. Except as to deposits of funds for which the Escrow Agent has received written instructions as set forth in paragraph 6 above, the funds may be commingled with other escrowed funds in a non-segregated escrow account of Chicago Title Insurance Company.

8. Funds deposited in escrow with Chicago Title Insurance Company shall only be sent, wired or distributed out of the escrow account upon joint written instructions from the Seller and the Buyer. In the case of a wire, funds may be wired out of the escrow account unless and until a duly completed and executed "AUTHORIZATION FOR OUTGOING WIRE" form is received for each proposed wire. Said form is shown on Exhibit "A" hereto. Execution of this escrow agreement is deemed an agreement by the parties to complete and execute such "AUTHORIZATIONS FOR OUTGOING WIRES" as required by Chicago Title Insurance Company, as Escrow Agent, in its sole discretion.

IN WITNESS WHEREOF, the Buyer, Seller and Escrow Agent have executed this Agreement as of the date hereinabove first written.

PINE GROVE HOSPITAL CORPORATION

By: _____
Name:
Title:

SHARON EVENHAIM

By: _____
Name: Sharon Evenhaim
Title:

Chicago Title Insurance Company
By: _____
Name: Mitchell Gluck
Title: Underwriting Counsel

EXHIBIT B
TO
ORDER GRANTING AUTHORITY TO SELL SUBSTANTIALLY ALL ASSETS OF PINE GROVE HOSPITAL CORPORATION FREE AND CLEAR OF ALL LIENS, INTERESTS, CLAIMS AND ENCUMBRANCES

DESCRIPTION

PARCEL 1:

THAT PORTION OF LOT 963 OF TRACT 1000, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 19 PAGES 1 THROUGH 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING SOUTHERLY OF A LINE PARALLEL WITH AND 40 FEET SOUTHERLY MEASURED AT RIGHT ANGLES OR RADIALLY FROM THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT OF INTERSECTION OF THE CENTER LINE OF "FALLBROOK AVENUE", AS ESTABLISHED BY THE ENGINEER OF THE CITY OF LOS ANGELES, AND SHOWN IN FIELD BOOK 10659 PAGES 6, 17 AND 23, WITH A LINE WHICH IS PARALLEL WITH AND 40 FEET NORTHERLY, MEASURED AT RIGHT ANGLES FROM THE SOUTHERLY LINES OF LOTS 960 AND 963 FOR SAID TRACT NO. 1000; THENCE ALONG SAID PARALLEL LINE SOUTH 89 DEGREES 57 MINUTES 41 SECONDS EAST 797.36 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 800 FEET; THENCE NORTHEASTERLY ALONG SAID CURVE, 369.32 FEET; THENCE TANGENT TO SAID LAST MENTIONED CURVE, NORTH 63 DEGREES 35 MINUTES 16 SECONDS EAST 162.75 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE TO THE SOUTHEAST HAVING A RADIUS OF 800 FEET; THENCE NORTHEASTERLY ALONG SAID LAST MENTIONED CURVE, 369.32 FEET TO THE POINT OF TANGENCY WITH A LINE WHICH IS PARALLEL WITH AND 280 FEET NORTHERLY MEASURED AT RIGHT ANGLES FROM SAID SOUTHERLY LINE OF LOT 963; THENCE FROM SAID LAST MENTIONED POINT OF TANGENCY AND ALONG SAID LINE WHICH IS PARALLEL WITH AND 280 FEET NORTHERLY FROM THE SOUTHERLY LINE OF LOT 963, SOUTH 89 DEGREES 57 MINUTES 41 SECONDS EAST 984.99 FEET TO THE CENTER LINE OF SHOUP AVENUE, AS ESTABLISHED BY SAID ENGINEER AND SHOWN IN ENGINEER'S FIELD BOOK 15209 PAGE 4, OFFICIAL RECORDS.

EXCEPT THEREFROM THAT PORTION OF THE EASTERLY 2 FEET THEREOF, INCLUDED WITHIN THE LINES OF THE LAND CONVEYED TO THE COUNTY OF LOS ANGELES, BY DEED RECORDED IN BOOK 5632 PAGE 163 OF DEEDS, RECORDS OF SAID COUNTY.

ALSO EXCEPT THEREFROM THAT PORTION OF SAID LOT 963, DESCRIBED AS PARCEL NO. 79 IN THE FINAL ORDER OF CONDEMNATION, LOS ANGELES COUNTY SUPERIOR COURT, CASE NO. 770047, A CERTIFIED COPY OF WHICH ORDER WAS RECORDED NOVEMBER 5, 1962 AS INSTRUMENT NO. 4854 IN BOOK D-1813 PAGE 840 OF OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM ONE-HALF OF ALL MINERALS, COAL, OILS, PETROLEUM AND KINDRED SUBSTANCES AND NATURAL GAS UNDER SAID LAND, AS RESERVED BY CHARLOTTE H. LEE, A WIDOW, IN DEED RECORDED SEPTEMBER 8, 1955 IN BOOK 488891 PAGE 342, OFFICIAL RECORDS.

PARCEL 2:

THAT PORTION OF LOT 960 OF TRACT 1000, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 19 PAGES 1 THROUGH 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING SOUTHERLY OF THE SOUTHERLY LINE OF THAT CERTAIN 80.00 FOOT CONTROL CHANNEL DESCRIBED AS PARCEL 32 IN THE FINAL DECREE OF CONDEMNATION ENTERED IN THE LOS ANGELES COUNTY SUPERIOR COURT, CASE NO. 547785, A CERTIFIED COPY THEREOF BEING RECORDED IN BOOK 29634 PAGE 101, OFFICIAL RECORDS.

EXCEPT THEREFROM ALL MINERALS, COAL, OILS, PETROLEUM AND KINDRED SUBSTANCES AND NATURAL GAS UNDER AND IN SAID LAND, AS CONVEYED TO CARMEN B. FLORES, A WIDOW, AND SANTOS HOJO, A SINGLE MAN, AS JOINT TENANTS, BY DEED RECORDED JANUARY 19, 1951 IN BOOK 35361 PAGE 352, OFFICIAL RECORDS.

CERTIFIED COPY
CLERK, U.S. BANKRUPTCY COURT
BY: Sally A. Myers