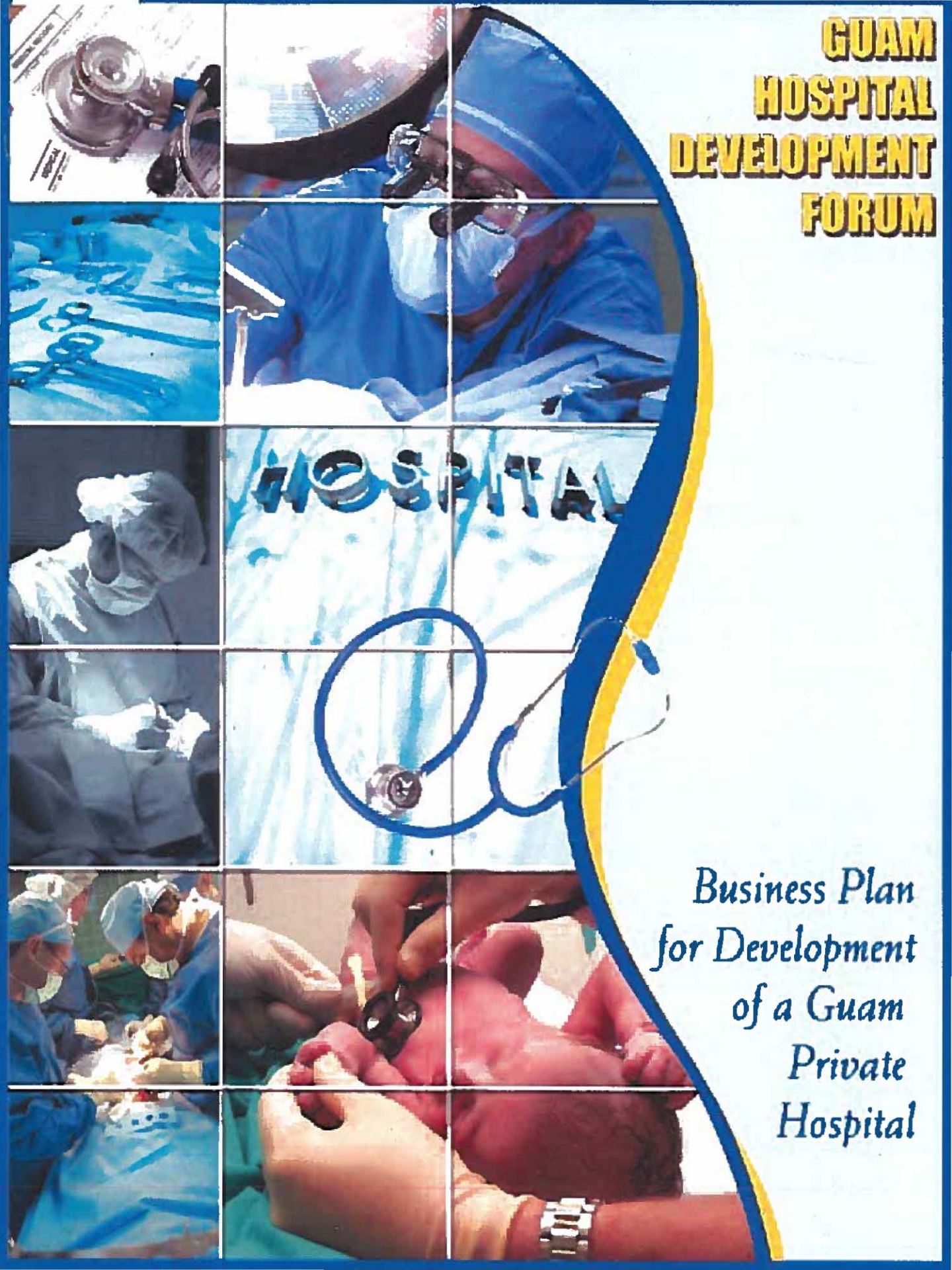


GUAM HOSPITAL DEVELOPMENT FORUM



HOSPITAL

*Business Plan
for Development
of a Guam
Private
Hospital*

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The Guam Hospital Development Forum, a private sector community service initiative, is pleased to present this business plan to potential investors for the development of a privately owned and managed hospital on Guam. The members of the Forum represent a cross-section of the Guam community with varying expertise and knowledge of the various components that are part of any hospital development project. Our main purpose in developing this business plan is to attract an investor that will improve the quality of health care for the people of our community and also provide the additional hospital bed capacity critically needed on Guam.



Guam's civilian community is served solely by the Guam Memorial Hospital; a Government of Guam owned and managed facility. This business plan illustrates the potential hospital bed need for the Guam community at 317 additional beds. With a projected increase in the civilian population of between 15,000 to 20,000 people to support a projected \$15 Billion military build-up over the next ten years, the potential hospital bed need and overcrowding conditions already existing at the Guam Memorial Hospital will continue to grow. The facility contemplated under this business plan is not intended to replace the Guam Memorial Hospital. The development of a new privately owned and managed hospital is intended to supplement and compliment the only available source of hospital services to the people of Guam. The primary project objectives include mitigating overcrowding conditions, mitigating government subsidies for hospital services, improving the quality and efficiency of medical care and attracting additional medical services, especially various specialty health care services not currently available on Guam.

Not only does this business plan demonstrate the significant demand for additional hospital bed capacity on Guam, the plan also demonstrates the financial viability of a proposed 100 bed hospital. The plan suggests a development strategy which includes two separate 50 bed phases for a total of 200 beds over a 15 year period. Additionally, depending on the initial equipment start-up cost, profits during the first full year of operation are projected to be between \$12,614,535 to \$14,438,535, the return on investment over 15 years to be between 175% to 202% and an internal rate of return over 15 years to be between 8% to 9%. It is important to note that these numbers are based on a bond financing scenario using a high interest rate factor of 14% to demonstrate the long term viability of the project despite a higher interest cost. The business plan however suggests other methods of financing which offer potential investors much more attractive financing terms.

We recognize that any potential investor will undertake their own due diligence to determine the feasibility and viability of the hospital development proposed in this business plan. The Guam Hospital Development Forum is available to provide investors with any additional information they may need during this process. Likewise, members of the Forum and those that have supported it, being well attuned to the needs of Guam and the economic factors impacting this project, will be available to serve as your liaison to the Guam community.

In closing, the Forum expresses its sincere gratitude to Mr. Donald Weidemann, Adventist Health Systems / Asia President and Healthcare Director, who volunteered his time and expertise in providing us with the framework for this business plan. Mr. Weidemann maintains 20 years of health care management experience, coordinates shared services and consults for 19 hospitals and major clinics throughout Southeast Asia including Guam. The Forum also expresses its sincere gratitude to Certified Public Accountant Mr. Patrick Heinz, who also volunteered his time and expertise in preparing the financial analysis provided in this business plan.

Thank you very much for your consideration of this business plan. If you have any questions whatsoever, please do not hesitate to call me directly at (671)688-7476 or send me an e-mail at psgro@ite.net.

Peter R. Sgro, Jr.; Chairman
Guam Hospital Development Forum

I. Project Development Objectives

The primary objective of this Business Plan is to attract investors to develop a privately owned and privately managed hospital on Guam. The main objectives of this development include the need to mitigate the demand on the only existing civilian hospital facility on Guam, mitigate overcrowding conditions, mitigate government subsidies for hospital services, provide additional access to medical care, attract and develop additional medical services, improve the quality of medical care and improve the efficiency of medical care provided to the Guam community. The new private hospital facility would be developed to supplement and complement the only civilian hospital facility on Guam. The contents of this Business Plan are intended primarily to demonstrate the significant demand for additional hospital services on Guam and to demonstrate the financial feasibility associated with the development of a new Guam hospital. In doing so, this Business Plan will also address economic forecasts, market assessments, sustainability, risks, state suggested locations, detail the project description and associated projected costs and rates of return.

II. Project Assessment

This project was created and supported by a Guam group of medical, business, insurance, finance, legal, engineering, architectural, government and community leaders who are well attuned to the needs of Guam, as well as the economic factors impacting this project. The analysis and estimates made are based on industry benchmarks for the United States except for construction related costs which were based specifically on Guam's construction code and zoning laws. Although this Business Plan is not a detailed proposal for a specific design of a hospital in a specific location, it reflects projections and estimates to show the feasibility of developing a privately owned hospital on the island of Guam.

III. The United States Territory of Guam

The island of Guam is an unincorporated Territory of the United States of America with effective self-government. The Organic Act of Guam (1950), Guam's Constitution created by the United States Congress, provides for a democratic system of government. The Government of Guam is comprised of three branches of government typical to representative democracies: 1) the Executive Branch led by an elected Governor; 2) the Legislative Branch for the making of laws; and 3) the Judicial Branch as the administrator of laws.

As a member of the American family of states and territories, Guam offers a stable and secure environment for investment and business development. Federal law provides local self-government for Guam, United States citizenship for its people and the privileges of the United States Constitution. Guam is the largest and southernmost island in the Marianas Archipelago.

Guam's current estimated population according to information published by the Bureau of Statistics and Planning, Government of Guam, is 154,805. Of this amount approximately 8,215 are over the age of 65. Another 82,459 people are estimated to occupy the nearby Commonwealth of the Northern Marianas Islands ("CNMI"), a United States commonwealth as opposed to a Territory. Guam's population is a vibrant synergy of various ethnic groups with the indigenous Chamorros representing the largest group at approximately 37.7%, Filipinos account for approximately 26.3%, Caucasians 6.8%, with the remainder being mostly Chinese, Korean, Japanese and other Pacific Islanders.

Guam's greatest asset is its strategic location making it a natural focal point for business opportunities. The island is about 1,500 nautical miles southeast of Tokyo, about 1,500 nautical miles east of Manila, about 2,100 nautical miles east of Hong Kong, about 3,100 nautical miles northwest of Sydney, about 6,000 nautical miles west of San Francisco and about 3,700 nautical miles west of Honolulu. Guam's strategic location as the farthest point of United States soil, guarantees the continued active presence of the United States Federal Government.



The Government of Guam, through the Guam Economic Development & Commerce Authority, is authorized by law to allow tax rebates to qualified investors. Qualifying Certificates for tax incentives are granted on the basis of investment commitment as well as the potential for creating new employment and expanding the base of the island's industry. While these incentives were originally established to develop Guam's tourism industry, efforts to further diversify Guam's economic base has resulted in offering incentives to other industries including those that would provide a "vitally needed service." A new hospital would meet the criteria for a vitally needed service.



Qualified firms may be granted up to 75% income tax rebates for up to 20 years; up to 100% abatement on real property tax for up to 10 years; 75% rebate on corporate dividend tax up to 5 years; and abatement on gross receipts tax on petroleum and alcoholic beverages made in Guam up to 10 years.

Guam has the usual range of local taxes found in the United States mainland such as gasoline, real property, gross receipts, admissions and hotel occupancy. It should be noted however that real estate taxes on Guam are much lower compared to any state. Guam's tax code is a mirror image of the Internal Revenue Code. There is only one legal taxing authority on Guam with no separate municipal, county or district tax. Guam taxpayers pay only one level of tax which differs from most states whose taxpayers pay federal, state, and county tax.

According to unemployment reports published by the Department of Labor's Bureau of Labor Statistics, Guam's unemployment rate has declined consistently over the past four years to a current rate of 6.9%. The estimated number of Guam residents falling below the poverty level is 23%.

IV. Economic Assessment: Forecast for Guam

The island of Guam is positioned for unprecedented economic growth over the next ten years. The major contributor of this impending economic growth is based on recently announced plans by the United States Department of Defense to re-locate from Okinawa to Guam approximately 8,000 Marines and approximately 10,000 of their dependents. This relocation of military personnel to Guam is part of a global realignment of United States forces with projected expenditures into Guam over the next ten years amounting to \$15 Billion.



This movement of significant military resources will be the largest military build-up on Guam since the end of World War II. The military mission associated with this build-up will require various civilian support activities which are expected to result in an increase in the civilian population over the next 4 years of between 15,000 to 20,000 people.

In anticipation of this military build-up, the volume of real estate transactions on Guam has increased significantly over the past six months with expected growth to continue. Although the military plans to develop approximately 3,000 new homes and renovate older homes on base properties, the demand for housing and condominium units off-base properties has and will continue to grow. This increased demand for housing is expected to continue in order to meet not only the demands of military personnel, but also the growing number of civilians and contractors working in various supporting roles of the military mission. The Guam housing market remains a bargain compared to similar properties in Hawaii and other locations throughout the United States mainland. A noticeable increase in interest and purchases by Hawaii and mainland based companies of Guam properties is also a result of the ability to realize greater returns compared to their respective areas. In addition, Guam's zoning and permitting process is comparatively less expensive and more expeditious compared to other jurisdictions. Guam's real estate tax is also significantly lower compared to all states.

As the largest industry on Guam, Guam's visitor industry is a major external driver of capital into the economy. The largest percentage of visitors to Guam is from Japan which comprises 79% of the total visitor mix. This is followed by visitors from Korea comprising 9% of the total visitor mix with the United States mainland and Hawaii visitors comprising another 9% of the total visitor mix. The Guam Visitor's Bureau reported a total of 1,227,587 visitors to Guam for FY 2005 and projects 1,276,541 visitors for FY 2006. The Bureau has embarked on several marketing campaigns and is projecting total visitor arrivals for FY 2007 at 1,367,088 visitors. Guam's market share of Japanese outbound travel has consistently increased during the past four years, increasing from 4.76% in 2002 to 5.49% in 2005. Over the last thirteen years (1993-2005), Guam's tourism industry faced many challenges such as the 9-11 terrorist attacks, the SARS epidemic, typhoons, economic downturns in Japan and Korea as well as rising fuel prices. In the end, Guam remained resilient and still achieved an annual average growth rate of 4%.

V. Market Assessment: Guam as Primary Market, Surrounding Islands as Secondary Market, Veteran's Care and Retirement Communities as Supplemental Market Opportunities

The primary market for a new private hospital on Guam would be the people of Guam especially considering the significant number of additional beds needed in the community as discussed in section VI below. This hospital will be the only privately owned hospital on Guam. New technologies such as PET Scans, radiation therapy and advanced surgical suites are not available on Guam. Additionally, open heart surgeries, cardiac catheterization, liver surgeries, neuro surgeries and complicated trauma procedures are not available on Guam. Most residents requiring such procedures seek treatment at hospital facilities in Manila, Hawaii and California or are simply not treated due to financial difficulties associated with travel expenses. Air ambulance service is also not currently available for residents needing immediate off-island care. Guam also does not have a comprehensive cancer treatment center despite the relatively high mortality rate being attributed to certain cancers. The lack of such health care services on Guam provides an investor with a niche market for a wide range of specialized health care services.

The secondary market for Guam is the surrounding islands. As Guam has the largest, best-equipped hospital in the region, residents of the surrounding islands in Micronesia come to Guam for medical care. The United States entered into a Compact of Free Association agreement with the surrounding island nations which grants citizens of those nations visa-free access to Guam and other United States Territories. This visa-free access provides easy access to Guam by residents from surrounding islands.

Numerous Micronesians choose to have their babies born on Guam since United States Citizenship results from those born on Guam. Unfortunately, most Micronesians also do not pay for their medical care. The Guam Memorial Hospital is mandated by applicable laws to treat all patients who come through its doors, regardless of their ability to pay. As a result, much of the uncompensated care comes from other Micronesian islands. Currently, Guam Memorial Hospital experiences approximately 40% bad debt.

Another significant opportunity involves medical services to the Veterans of Guam and Veteran's from surrounding islands. This may result in an opportunity to contract with the Veteran's Administration for the care of their estimated 1,400 authorized for benefits and approximately 12,000 potential Veterans Administration beneficiaries that live in the region.

Currently, Veterans are provided care through a clinic at the Naval Hospital of Guam, a naval hospital facility with a focus on care for active duty military personnel and war / terrorism contingency care. Many Veterans have expressed dissatisfaction with the health care available to them and have often apprised Guam's Congresswoman Bordallo of the great need for additional health care capacity on Guam. The Guam Veteran's Advisory Council voted unanimously to support the development of a new hospital on Guam and in a letter to the Guam Hospital Forum dated October 20, 2006, stated:

"This includes a need for an acute care facility, to supplement the services provided by the Naval Regional Medical Center (Naval Hospital). In particular, it would be most beneficial if the new acute care facility can provide specialties which are not now offered at the Naval Hospital and which must be accessed thru off island referrals to Tripler Army Hospital in Honolulu or other VA facilities in the Continental U.S."

With the growing aging population in Japan, certain real estate developers are looking at Guam as the site for retirement communities and second home ownership opportunities. With Japan being Guam's largest source of visitor arrivals and the proximity of Guam to Japan, this creates another market sector for the new hospital facility. This particular program may be integrated into offering other health care services for overseas visitors from other Pacific Rim countries as part of a Medical Tourism program. For instance, a certain target market of visitors to Guam engaged in recreational and relaxation activities can be tapped to also seek Executive Check-ups. Integrating such programs into services offered at the new hospital would provide additional overall economic benefits to Guam since it would result in additional days stayed on island by targeted visitors for these types of services.

VI. Hospital Bed Need Assessment and Starting Point

Currently, the Guam civilian community is served solely by the Guam Memorial Hospital; a Government of Guam owned and managed hospital. The Guam Memorial Hospital Authority is a semi-autonomous agency of the Government of Guam created in 1964 to administer and operate the Guam Memorial Hospital. According to the website of the Guam Memorial Hospital, its current bed capacity is 208 beds comprised of 159 acute care beds, 16 bassinets and 33 long term beds.

Determining the exact bed need for Guam is challenging due to its being a regional medical referral center, the extremely high incidence of diabetes, stroke, heart disease and obesity



which lead to increasing hospital admissions and lengths of stay. In addition, less developed non-hospital services such as home health and hospice which normally alleviate many hospital stays must be considered in determining the hospital bed need for Guam. These factors point to a need greater than stateside standards such as the State of Oregon hospital bed need calculation described below.

Using a published June 2006 study by Megan Stratman and Matthew Spellman, Department of Economics, University of Oregon, this study shows a bed need ratio of 2.7 Medical / Surgical beds per 1,000 people for the general population and 13 Medical / Surgical Beds per 1,000 people over the age of 65 years old. Even when we apply Guam population numbers to these formulas conservatively, it still results in the island of Guam in need of 525 hospital beds to adequately serve the Guam community. Even considering the current capacity at our existing hospital facility, the potential need for hospital beds on Guam is 317 additional hospital beds. This estimate is low, considering the factors mentioned above and the rates of chronic diseases outlined in section VII below. It still points to a very high unmet need for additional acute care beds amounting to a minimum of 317 beds.

It should also be noted that the United States Public Health Region 9 designated Guam as a "Medically Underserved Area" which further supports the need for additional hospital bed capacity on Guam.

In addition to the high unmet need for additional acute care beds amounting to 317 beds, it appears the Government of Guam does not have any immediate plans for expansion of the number of its acute care beds at the Guam Memorial Hospital. This makes Guam an ideal opportunity for a second, private hospital that can work hand-in-hand to complement and supplement the Guam Memorial Hospital.

Considering the above and applicable business and financial management standards, this Business Plan recommends the building of a second Guam hospital that is privately owned starting with 100 beds for Phase I. This Business Plan further recommends a realized growth potential of 50 additional beds for Phase II and 50 additional beds for Phase III.

VII. Acute and Chronic Health Care: Comprehensive Health Care Services Needs

Although the University of Oregon study referenced above provides a reliable benchmark for calculating the hospital bed need for Guam, the high incidence of chronic illnesses and cancer on Guam for a community of its size must also be considered. There are increasing trends of diabetes and obesity worldwide especially in Asians, Hispanic Americans, African Americans and Native American Indians. However, the increase in this trend among Pacific Islanders compared to Caucasians and the



European populations is significantly more (see

"Global Prevalence of Diabetes," Diabetic Care, 2005.) This is tied closely to the diet and genetics of the indigenous people, who health care wise are trending in a similar manner as Native American Indians.

Recent studies have shown an alarming epidemic of Type 2 Diabetes, Atherosclerotic Heart Disease, Obesity and Diabetic Nephropathy leading to End Stage Renal Disease among Pacific Islanders and in particular the indigenous population of Guam. Published Studies such as Abidi et. al. Journal of American Society of Nephrology 1999, reported an 11% prevalence of Type 2 Diabetes among the Chamorro population of Saipan. The published study of Safabakhsh, Nelson JASN 2000, reported 76% of the cause of chronic kidney disease among Chamorro End Stage Renal Disease patients was attributed to Diabetic Nephropathy. Atherosclerotic Heart Disease as a complication of Type 2 Diabetes is the number one cause of death among the Chamorro population of Guam as reported by data published by the Department of Public Health, Government of Guam. It is estimated that the true Prevalence of Type 2 Diabetes may be around 20-25%. Other chronic diseases such as Lung Cancer, Breast Cancer, Colon and Nasopharyngeal cancers are among the top ten causes of mortality on Guam (see Haddock et al. Cancer Registry, Cancer Research Center, University of Guam 2006) and remain major causes of health care dollar expenditure on Guam.

Forum members involved in health care services, recognize that the limited or lack of certain specialty services on Guam is a contributing factor in the progression of acute episodes to chronic stages for many Guam patients. Considering the high rate of acute and chronic illnesses on Guam, the demand for specialty health care services on Guam is significant.

VIII. Project Description

The recommended development consists of building a private hospital on the island of Guam. Phase I is recommended to begin at 100 beds, and slowly add capacity as staffing and other capabilities allow. This proposal shows a scenario of starting at 100 beds, Phase II adding 50 beds and Phase III adding another 50 beds for a total of 200 beds over a 15 year period. With each increase in hospital bed capacity, the addition of a specialty unit such as a cardiology unit, oncology unit or neurology unit can be incorporated into each growing phase of the development. Although specialty units may be included in Phase I of the development, this inclusion would be dependent on actual financial constraints or financial allowances existing during the design phase. The hospital will be equipped with essential and state of the art equipment like PET scans, radiation therapy and advanced surgical suites not currently available on Guam. With the market being underbedded by a minimum of 317 beds, the market should not be a restricting factor in this scenario.

IX. Financial Assessment: Bond Financing Model

With initial financing of \$118,627,708 or \$126,127,708, depending on the equipment start-up costs, the hospital should have a positive cash flow within a few months. After opening its doors to patients, the estimated profit in the first full year of operations is \$12,614,535 or \$14,438,535, depending on the level of initial equipment purchased. The two different scenarios of estimated equipment costs are discussed in section X below. The financial model shows projections for a private, not-for-profit hospital with the tax advantages afforded to it.

This project has tremendous potential to generate cash, if it can keep its operations efficient at the current market rates. It can repay its debt early, or undertake additional projects such as medical office buildings, and have plenty of resources for future growth. In the profit and cash flow projections, as you get past year 5 you start to have a significant percentage generated by interest income from the cash.

One key financial instrument is "Participating Bond Transactions" or performance bonds. Even though they have a high rate of interest to pay, they are crucial to align incentives between all the players. This is a major key to maximizing efficiency.

X. Estimated Project Costs

This section of the business plan assumes two different scenarios, one with estimated equipment cost at \$12,500,000 and one with an estimated equipment cost at \$20,000,000. The reason for the difference is to demonstrate the financial impact of starting hospital operations with general services compared to starting hospital operations with more advanced equipment which in turn will allow for specialty care at the outset.

This proposal recommends the building of a second hospital that is privately owned, starting at 100 beds, with the realized growth potential of more. A new hospital that begins at 100 beds, but is designed for easy, future expansion would take approximately 2 1/2 years to plan, design and build, with a total initial capitalization of \$118,627,108 or \$126,127,708.

The total projected project cost for phase I is \$118,627,708 or \$126,127,708, again depending on the amount of the equipment start up costs. This project is a recommendation only for feasibility. Obviously, the actual plan will be dictated by the owner's resources and interest.

Phase I	100 bed General Hospital
Phase II	50 bed addition with specialty unit, such as cardiology
Phase III	50 bed addition with specialty unit, such as oncology

The following estimated project cost is based on the first scenario of \$12,500,000 in equipment start up cost:

Project Cost	Land/Bldg	Equipment Start Up
Land	\$2,000,000	
Land Improvements	\$666,667	
Hospital Phase I (100 beds)	\$87,440,661	\$12,500,000
Architectural/Engineering	\$7,548,539	
Construction Management	\$6,290,449	
Other Start Up Costs	\$2,181,392	
Total Project Cost	\$118,627,708	

Financial Ratios (15 years)

Benefit/Cost Ratio	1.49
Net Present Value (NPV)	\$177,121,085
Internal Rate of Return (IRR) over 15 years	.9%
Return on Investment (ROI) over 15 years	.202%
Profit after first full year of operation	<u>\$14,438,535</u>

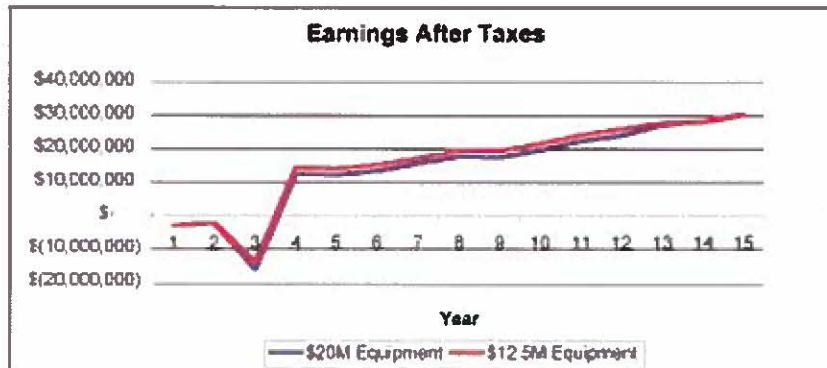
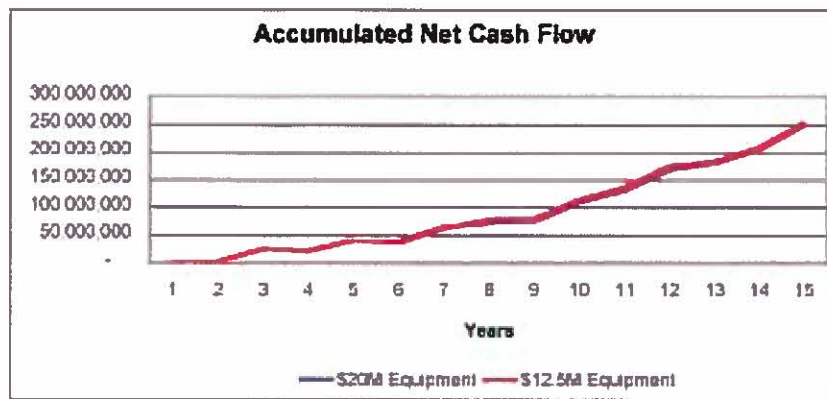
The following estimated project cost is based on the second scenario of \$20,000,000 in equipment start up cost to allow for the availability of specialty care at the outset:

Project Cost	Land/Bldg	Equipment Start Up
Land	\$2,000,000	
Land Improvements	\$666,667	
Hospital Phase I (100 beds)	\$87,440,661	\$20,000,000
Architectural/Engineering	\$7,548,539	
Construction Management	\$6,290,449	
Other Start Up Costs	\$2,181,392	
Total Project Cost	\$126,127,708	

Financial Ratios (15 years)

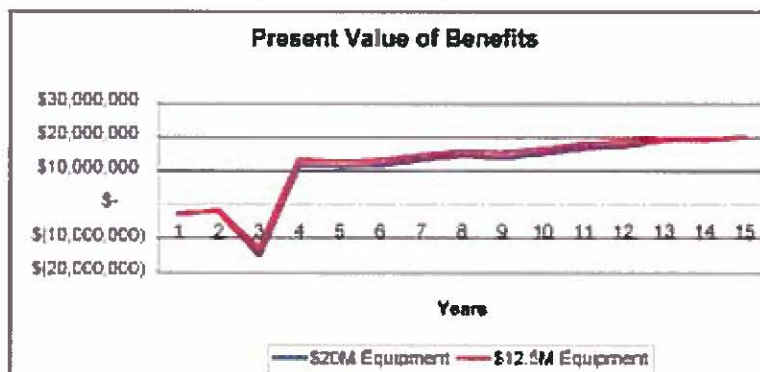
Benefit/Cost Ratio	1.28
Net Present Value (NPV)	\$161,786,626
Internal Rate of Return (IRR) over 15 years	.8%
Return on Investment (ROI) over 15 years	.175%
Profit after first full year of operation	<u>\$12,614,535</u>

Note: The loss in year three is attributed to that year realizing only six months of operating revenue, but incurring approximately eight and-one-half months of operating expenses to cover preparation for opening.



These operating expenses include hiring and training of staff, furnishing of rooms, purchasing operating supplies, and installation and testing of equipment.

Attached hereto as Exhibit "A" and incorporated herein by reference is the Financial pro-forma based on the financial model of financing the hospital development through



"Participating Bond Transactions" or Performance Bonds and \$12,500,000 of equipment start up costs.

Attached hereto as Exhibit "B" and incorporated herein by reference is the Financial pro-forma based on the financial model of financing the hospital development through "Participating Bond Transactions" or Performance Bonds and \$20,000,000 of equipment start up costs.

XI. Other Project Financing Options:
USDA, FHA & Government of Guam Retirement Fund

Forum representatives have made initial inquiries with representatives of other potential sources of funding for the project. The Area Director for the Western Pacific Region of the United States Department of Agriculture Rural Development ("USDA") is a member of the Guam Hospital Development Forum. The Hawaii State Director for USDA Rural Development and the Hawaii Area Director for USDA Rural Development, both also have oversight over Guam rural development programs and have been engaged regarding the Guam hospital development project. All have indicated recognition of the "need" and the availability of certain USDA programs to eligible applicants. These programs include "Community Facilities Loans and Grants". Examples of "Essential Community Facilities" include clinics, ambulatory care centers, rehabilitation centers, nursing homes and hospitals. The maximum term for all loans is 40 years which is fully amortized over the term of the loan. Interest rates for direct loans are based on current market yields for municipal obligations. Certain other direct loans may qualify for a lower interest rate, depending upon the median household income of the residents of the community to be served.

It is not uncommon for USDA to provide direct loan facilities at an interest rate in the 4.5% to 4.9% range. It should also be noted that USDA also offers a "Business and Industry Guaranteed Loan Program" which provides guarantees for loans for certain developments including that of a hospital. Attached hereto as Exhibit "C" and incorporated herein by reference is a USDA Community Loans and Grants Fact Sheet and USDA Business and Industry Guaranteed Loan Program Fact Sheet.

Guam Hospital Development Forum representatives have also been in contact with an approved Federal Housing Administration ("FHA") insured mortgage lender relative to determining loan programs available for a new Guam private hospital development. Under two major mortgage insurance programs identified as Section 232 and Section 242 of the National Housing Act, funding is available to construct or substantially rehabilitate, equip and maintain health care facilities. The statutory authorization for these mortgage insurance programs allows an approved mortgage lender to finance these types of facilities on a very aggressive basis, with interest rates commensurate with AA or AAA credit equivalents. Under these programs no individual or personal guarantees are required, either during construction or under the permanent loan (emphasis added).

Eligible property types under the FHA programs described above include new construction of hospitals. Eligible borrowers include single asset entities or entire systems within a single mortgagor; not-for profit or for profit entities. Interest rates are fixed for the length of the mortgage but variable rate swaps may be considered. These loans are fully amortized, permanent loans for up to 25 years after completion of the project. See Fact Sheet outlining Section 232 and Section 242 National House Act Underwriting and Processing attached hereto as Exhibit "D" and incorporated herein by reference.

Another potential source of funding for the project is the Government of Guam Retirement Fund (the "Fund"). Forum Representatives have also been in contact with Investment Committee Members of the Fund's Board of Trustees. The Board administers three retirement plans for government employees whose funds are invested under management services, which are guided by the Investment Policy Statement (IPS) as adopted by the Board. Investments under management total approximately \$1.23 Billion as of June 30, 2006

XII. Location Assessment

This section and section XIII below are the result of work undertaken by the Location and Physical Facilities Committee of the Guam Hospital Development Forum. The Location and Physical Facilities Committee was charged by the Forum with the following objectives:

- a) Develop and submit recommendations on the location of the new hospital development based on relevant criteria and constraints and
- b) Develop and submit general recommendations on physical facilities and layout based on needs, accreditation requirements, and other relevant criteria and constraints

Location

The committee is examining several potential locations for a new hospital. The locations considered as of the date of publication of this Business Plan include the following general areas:

- ==> 10-acre site at the University of Guam, Mangilao
- ==> Site at the existing GCC Campus, Mangilao
- ==> Sites near the existing GMH facility in Tamuning
- ==> South Tiyan properties in Tiyan, Barrigada
- ==> Sites near the existing LeoPalace Resort, Ordot-Chalan Pago

The methodology employed in this evaluation is based on the performance of a given location against identified criteria which define desirable characteristics of a new hospital site. Each identified potential location will be evaluated using a specific importance factor (IF) for each criteria and the location's raw score (RS) for that criteria. Importance factors range from 1 (marginally important) to 3 (very important).

IMPORTANCE FACTOR	DESCRIPTION
1	Criterion is marginally important to success of Medical Center
2	Criterion is important to success of Medical Center
3	Criterion is crucial to success of Medical Center

Raw scores range from 1 (location does not satisfactorily meet criteria) to 5 (location performs very well in meeting criteria).

RAW SCORE SCORE	DESCRIPTION
1	Location does not meet criterion satisfactorily
2	Location meets criterion marginally
3	Location meets criterion.
4	Location meets criterion very well
5	Location exceeds criterion.

Locations Criteria: Land ownership (Private vs. Public Property)

Although Forum members voted in favor of a private ownership and management structure for the new hospital, the land area for purposes of this new development is not limited to privately owned property. Thus, both private and government owned properties were considered in the selection criteria for potential locations. The advantage of using government or public lands includes eliminating acquisition costs and potentially reduced annual expenses.

Potential sites of government / public lands suitable for development of a new hospital facility include the University of Guam, Guam Community College and areas of Tiyan not slated for return to original land owners. The Location and Physical Facilities Committee are researching other privately owned properties to determine blocks or tracts in sufficient size and supported with sufficient infrastructure to accommodate the proposed new facility.

Population Distribution

Locations suitable for the proposed facility must remain close to the center of population distribution in order to be feasible in terms of travel time, proximity to critical services, and availability of an adequate supporting workforce. Bear in mind that often, this criterion is at odds with the availability of large parcels of available land for such a sizable development.

Importance Factor - 1

Availability of Infrastructure

All locations must have available infrastructure to serve transportation, water, wastewater, power and communications needs. This criterion is critical to the success of the medical center.

Importance Factor - 3

Proximity to Staff and Employees

The locations must be readily accessible to and within easy reach of staff and employees within the communities served. This criterion is somewhat subjective since everything area of Guam is relatively close to each other.

Importance Factor - 2

Proximity to Services

To the extent possible, the locations proposed should be nearby existing medical related services including the current Guam Memorial Hospital and clinics that have already been constructed and occupied.

Importance Factor - 2

Rural vs. Urban

Locations which are designated as rural under USDA guidelines in order to allow access to USDA Rural Development low interest loans or loan guarantee programs.

Importance Factor - 2

Zoning

Only certain zoning designations allow for the development of hospital facilities. The following outlines the zone designations and the relevant restrictions/conditions which apply:

A-Zone: Agricultural zone allows hospitals as a Conditional Use

C-Zone: Commercial zone allows hospitals as a Conditional Use

M1-Zone: Light industrial zone allows as permitted use any permitted use (with or without condition) in a C-Zone

M2-Zone: Heavy industrial zone allows as permitted use any permitted use in an M1-Zone

Importance Factor - 3

Overall Performance of Each Location

The table below presents a summary of the performance of each location identified in the previous section with respect to the stated criteria.

Based on the criteria established for purposes of selecting a location for the new hospital, the University of Guam ranked the highest among those properties considered.

Summary of Location Evaluations

SITE	Ownership	RS	Population	RS	Infrastructure	RS	Proximity - Staff	RS	Proximity - Services	RS	Rural-Urban	RS	Zoning	RS	Totals
UOG	2	5	1	3	3	4	2	3	2	3	2	5	3	4	59
GCC	2	4	1	3	3	4	2	3	2	3	2	5	3	4	57
Tam.	2	2	1	5	3	5	2	5	2	5	2	1	3	1	49
Tiyan	2	2	1	4	3	3	2	4	2	4	2	4	3	2	47
Leo	2	2	1	2	3	2	2	2	2	2	2	5	3	4	42

The Guam Community College ranked second followed by areas in Tamuning, Tiyan and the Leo Palace Resort.

XIII. Physical Facilities Assessment

Research is being conducted into the recommended design guidelines published by nationally recognized organizations, including the American Institute of Architects ("AIA") and the Joint Commission on the Accreditation of Healthcare Organizations ("JCAHO"), to determine the specific facilities requirements based on population and need. In general, for the purposes of estimating size, bed capacity and development requirements, the Committee has relied on broad-based criteria in use within the industry.

Specific functions being considered for inclusion in the planning documents for the proposed hospital include the following:

1. Bed-related functions
2. Outpatient-related functions
3. Diagnostic and treatment functions
4. Administrative functions
5. Service functions
 - a. Food (centralized vs. non-centralized)
 - b. Supply
6. Research and teaching functions



Size

The following table presents an analysis of the facility size requirements based on sample ratios of newer facilities (in the U.S.) of comparable bed capacities and existing conditions on Guam.

A.	Bed Analysis	Beds		
	Current Beds at GMH	208		
	Guam Hospital Bed Needs	525		
	Current Need	317		
B.	Building Size Analysis	Beds	Avg./SF/Bed	Gross SF
	Phase 1	100	2,079	207,900
	Total Estimated Building Area			207,900

Based on the above, estimating a 3-story building, the total building footprint will require approximately 70,000 S.F. or 1.6 acres. Using 4 parking spaces per bed, the total number of spaces required is 400. With an area requirement of 375 S.F. per space, the total area for parking required is 150,000 S.F. or approximately 3.5 acres. This is a total of 5.1 acres for the medical center and parking. If we estimate a minimum of 4.5 acres for expansion and medical office building facilities with parking included, the total site size need is in the neighborhood of roughly 10 acres.

Cost

The table below represents estimated costs based on calculated unit costs using recent construction data on Guam. The costs (year 2007 dollars) are based on the estimated bed needs presented in the table above.

A.	Building Cost	SF	\$/SF	Est. Cost
	Phase 1 Beds	207,900	\$420.59	\$87,440,661
B.	Estimated Soft Costs	% of	Const. Cost	Total Est. Cost
	Phase 1			
	A/E Fees	6%	\$87,440,661	\$5,246,440
	CM Fees	5%	\$87,440,661	\$4,372,033
	Total Cost			\$9,618,473

Items excluded from these cost estimates include:

Property acquisition

Site development

Re-zoning, permitting, environmental studies, etc.

XIV. Technical Assessment

The number of available employees on Guam with the specialized training required by hospitals is somewhat limited compared to larger communities. There will need to be extensive recruitment from off-island to fill key positions, such as administration, nursing, laboratory, radiology, pharmacy, etc.

It should also be noted that the impending military build-up on Guam will result in approximately 10,000 military dependents that will also be transferred to Guam over the next few years. Some of these dependents may possess the training and experience to fill key positions within the hospital. Coordinating recruitment efforts with appropriate military base representatives or commands is encouraged. Support services from the civilian community will be needed to optimize the military mission on Guam, especially with the unprecedented build-up of military assets and military personnel. Improving the quality of health care for the civilian community will have a direct impact on the civilian community's ability to provide the support services especially for this type of military mission.

Guam has also been designated by Region 9 as an Medically Underserved Area, thus allowing for the recruitment of foreign-born physicians. They are trained in the United States and bring with them all of the same clinical skills as United States residents trained here. This represents a great recruiting potential for specialists, sub-specialists, and physicians that can identify with large segments of Guam's population, such as Japanese, Koreans, and Filipinos.

XV. Institutional Assessment: Leveraging Relationships

The University of Guam is a United States land grant institution accredited by the Senior Commission of the Western Association of Schools and Colleges. As a land grant institution, the University must engage in certain research activities that provide Federal funding opportunities through various grant programs. By leveraging relationships between a newly developed private hospital and the University of Guam, both the hospital and the University would be in a position to mutually benefit from additional Federal grant programs.

The University of Guam maintains several research units but for purposes of this project, The Cancer Research Center and the Micronesian Health and Aging Studies units create synergies between the University and the hospital. The Micronesian Health and Aging Studies unit studies Lytico-Bodig and neurological diseases on Guam. The Cancer Research Center's focus is to increase the number of minority scientists, increase cancer research capabilities at the University, and to reduce the impact of cancer on Guam's population, among other objectives.

The University of Guam and the University of California San Diego Consortium, received a five-year grant of \$10.6 million to study age-related neurodegenerative diseases in Micronesia. The Cancer Research Center was established through a research partnership between the University of Guam and the Cancer Research Center of Hawaii which is funded by a \$3.6 million grant from the National Institutes of Health. It is recommended that management of a new Guam hospital maximize its relationship with both of these research units at the University of Guam, not only for purposes of seeking mutually beneficial federal grant funding, but also for the purposes of improving the level of care for hospital patients suffering from cancer, Lytico-Bodig and neurological diseases.

Management of the new hospital should consider leveraging relationships abroad with such institutions as the University of Hawaii John Burns School of Medicine. Potential relationships with the University of Hawaii John Burns School of Medicine include establishing physician residency positions at the new Guam private hospital facility. Leveraging this relationship would supplement the efforts of the hospital's recruitment and retention program.



The University of Guam should also be looked upon as a source of recruiting the various skills required in the operation of the hospital. The School of Nursing, Social Work and Health Sciences offers the following degree programs

- Associate Degree in Nursing
- Bachelor of Arts, Health, Physical Education, Recreation & Dance
- Bachelor of Science, Nursing
- Bachelor of Social Work

The University of Guam's College of Natural and Applied Sciences offers baccalaureate degrees in the following programs which complement other hospital staffing needs:

- Computer Information Systems
- Biology
- Chemistry

The University of Guam's School of Business and Public Administration offers the following degree programs which also complement other hospital staffing needs:

- Bachelor of Business Administration
- Bachelor of Business Administration in Accounting
- Professional Master of Business Administration

In addition to potential relationships which the University of Guam, management of the new hospital should explore contractual relationships with the United States Navy, United States Air Force, Marines and other Department of Defense agencies. Considering the unprecedented growth in military personnel and military presence on Guam over the next ten years, federal contracting opportunities for health care services not available or planned for active duty personnel and their dependents should be explored.



Although the University of Guam maintains various research related programs, Guam's largest non-profit research organization is the Micronesian Institute for Disease Prevention. This institute was founded by a member of the Guam Hospital Development Forum based on a vision to collaborate with sectors of the community to address the epidemic of diabetes and other obesity related diseases in the Pacific Islands and Micronesia. The institute stands at the

forefront of public healthcare intervention, clinical science and epidemiology and basic molecular and population genetics. It seeks to ask the most fundamental questions and probe processes of important common diseases such as type 2 diabetes, obesity, hypertension and hyperlipidemia. The Institute's mission is to establish a track record of major contributions to the betterment of public health and the human condition, particularly for the immediate benefit of the people of Micronesia. The institute emphasizes the organization of basic epidemiological knowledge in the Micronesian area for the application of medical and material discoveries that can be translated into clinical applications.

XVI. Social and Employment Assessment

Guam's population is a vibrant synergy of various ethnic groups which include the indigenous Chamorros, Filipinos, Caucasians, Japanese, Chinese, Korean and other Pacific Islanders. The majority of individuals on island have an expectation of receiving United States mainland standards of health care. Most employers on Guam provide employees with health insurance plan options and different levels of coverage. The Government of Guam also provides its employees with health insurance plan options and different levels of coverage.

The traditional Medicare and Medicaid programs are also available on Guam. Guam's stop gap plan to assist those who cannot qualify for Medicare is called the "Medically Indigent Program" or "MIP" which is funded through the General Fund of the Government of Guam. Unfortunately, the Medically Indigent Program has not had a history of prompt or full payment, nor has it been 100% funded by the Government of Guam for several years.

In an effort to minimize the adverse financial impact to health care providers who have not been paid under the Medically Indigent Program, recent legislation incorporated into the Government of Guam's 2007 Budget provides for certain tax credits for unpaid receivables. Guam maintains a Gross Receipts Tax equal to 4% of amounts billed for goods and services including health care related services. This new law allows health care providers who have not been paid under the Medically Indigent Program for 90 days after payment is due, to write off the entire amount due from their monthly gross receipts tax return.

It should also be noted that the development of a new hospital will have a direct impact on additional jobs on Guam and contracting opportunities. The financial model contained in this Business Plan assumes approximately 250 new jobs required to support hospital services. The financial model also calls for maximizing contract services including food services, housekeeping services, payroll services, patient billing services, engineering services and using best clinical practices with electronic records and supply order entries to minimize staff requirements.

XVII. Environmental Assessment

Located in the tropics, Guam's average yearly temperature is 85 degrees Fahrenheit. The temperature rarely falls below 70 degrees or rises above 90 degrees. The average water temperature is also 85 degrees providing excellent opportunities for a variety of water sports. July through November is the rainy season and December through June the dry season. September and October are the other wettest months, each averaging about 14 inches of rainfall.

XVIII. Sustainability and Risks

Even though the economy of Guam relies heavily on tourism and the military for its major sources of outside income, there has always been enough health insurance covered lives to fill the acute care beds. If additional beds are built consistent with this model, there will still be an adequate number of health insurance covered lives to fill the beds with an economic downturn. Considering the significant number of additional hospital beds needed on Guam as outlined above, the high rates of certain health issues on Guam and the number of health insurance covered lives, the addition of a new hospital on Guam can be sustained over time.

The main critical risks revolve around staffing and reimbursement. Similar to many small urban communities in the United States mainland, there is not a large pool of local specialized staff to draw from for key positions. Many will need to be recruited from elsewhere. Growth will be limited by the number of nurses and others that can provide patient care.

Reimbursement is a second major concern. The Government of Guam's Medically Indigent Program ("MIP") is consistently under-funded to cover the cost of the program. Due to the level of uninsured patients and patients covered by MIP, the new hospital faces the risk of not being compensated for services rendered. All members of the Guam Hospital Development Forum believe any new hospital facility must accept some percentage of indigent care. The Forum however recognizes that in determining that percentage of indigent care, it must be based on avoiding financial losses that would prevent the hospital's sustainability and ability to continually upgrade equipment and services.

As with all change, there is the fear of the unknown. Key challenges may come from those who may feel that the new hospital will "cherry pick" and leave all the undesirable patients to the government hospital. There will be resistance by a few physicians who believe there are enough beds now with their own positions of influence threatened.

XIX. Model for Guam: Avera Queen of Peace Hospital

One of the Guam Hospital Development Forum's Senior Advisors spent several years as an Orthopedic Surgeon at the Avera Queen of Peace Hospital in Mitchell, South Dakota. A small rural community with a population of only 15,000 and about 40,000 people in surrounding areas, Avera contends with similar challenges that a Guam hospital would have to contend with. A site visit to the Avera Queen of Peace hospital by the Forum's Chairman confirmed that this facility was a good model for Guam. Despite challenges faced by the Avera health care system including those involving recruitment and retention, Avera successfully owns and manages a 120 bed licensed JCAHO accredited hospital. A Guam Hospital Development Forum report outlining a site visit to the Avera Queen of Peace Hospital is attached hereto as Exhibit "E" and incorporated herein by reference.

XX. Forum Meetings Memorialized

Prior to the first meeting of the Guam Hospital Development Forum, it was decided that each meeting would be memorialized through meeting summaries in an effort to preserve discussions and dialogue that transpired during each meeting. Although this Business Plan reflects formal positions taken during Forum meetings, committee meetings, discussions among Forum members and those that served as consultants to the Forum, a greater understanding of the Forum's decisions can be determined by review of Forum meeting summaries. Therefore, attached hereto as Exhibit "F" and incorporated herein by reference is the summary of the First Forum Meeting, attached hereto as Exhibit "G" is the summary of the Second Forum Meeting and attached hereto as Exhibit "H" is the summary of the Third Forum Meeting.

XXI. List of Exhibits

Exhibit "A": Financial pro-forma based on the financial model of financing the hospital development through "Participating Bond Transactions" or Performance Bonds and \$12,500,000 of equipment start-up costs.

Exhibit "B": Financial pro-forma based on the financial model of financing the hospital development through "Participating Bond Transactions" or Performance Bonds and \$20,000,000 of equipment start up costs.

Exhibit "C": USDA Community Loans and Grants Fact Sheet and USDA Business and Industry Guaranteed Loan Program Fact Sheet.

Exhibit "D": Fact Sheet outlining Section 232 and Section 242 National House Act Underwriting and Processing.

Exhibit "E": A Guam Hospital Development Forum report outlining a site visit to the Avera Queen of Peace Hospital in Mitchell, South Dakota.

Exhibit "F": First Guam Hospital Development Forum Meeting Summary.

Exhibit "G": Second Guam Hospital Development Forum Meeting Summary.

Exhibit "H": Third Guam Hospital Development Forum Meeting Summary.

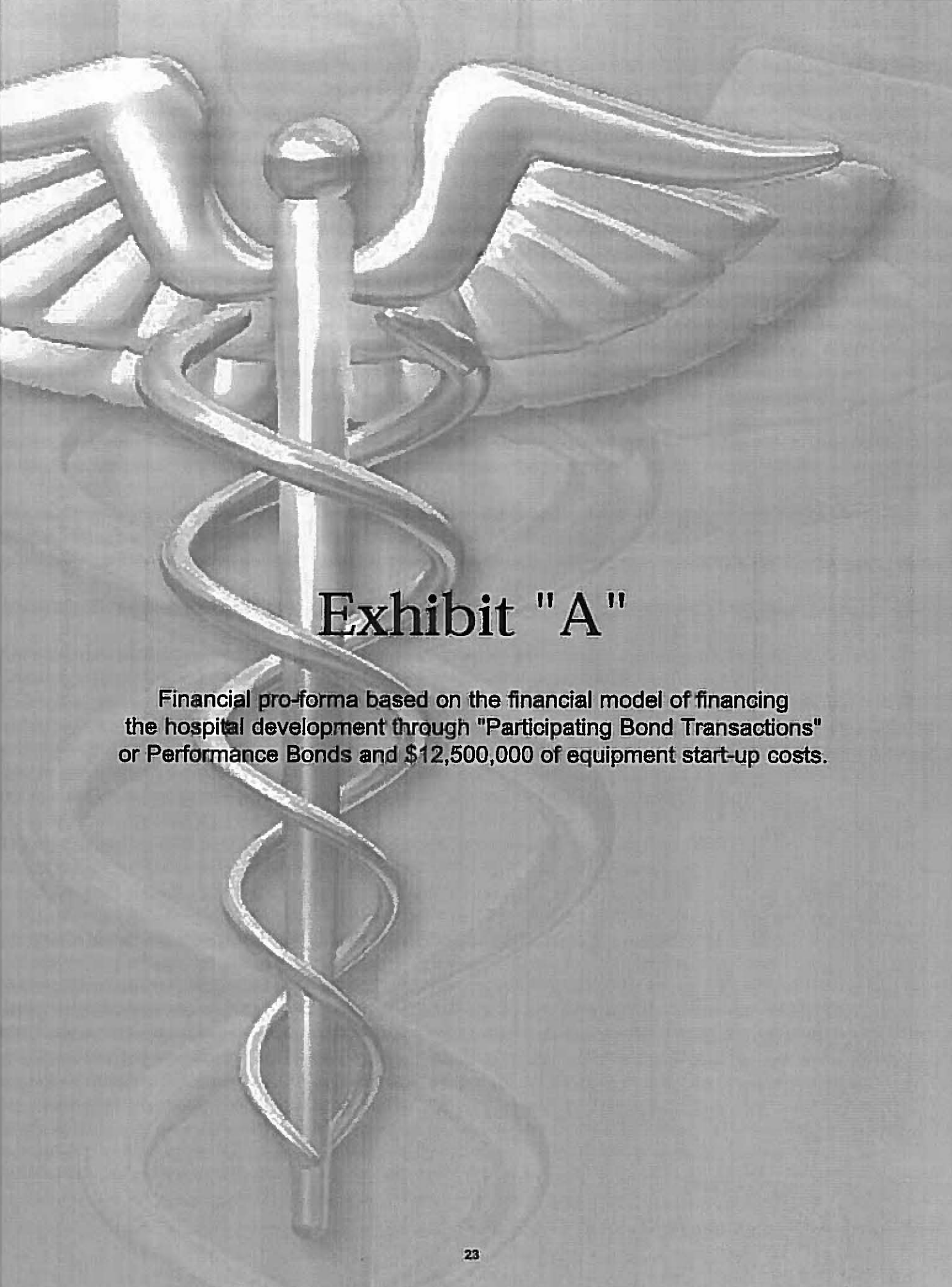


Exhibit "A"

Financial pro-forma based on the financial model of financing the hospital development through "Participating Bond Transactions" or Performance Bonds and \$12,500,000 of equipment start-up costs.

Guam Hospital
Financial Projections
Hospital Only (No MOB)
\$12.5 million Initial Equipment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Revenue							
Inpatient	-	-	53,588,954	126,529,476	126,529,476	142,903,879	156,694,103
Outpatient	-	-	17,862,985	42,176,492	42,176,492	47,634,626	52,231,368
Other	-	-	8,038,343	18,979,421	18,979,421	21,435,582	23,504,115
Interest Income		6,800	182,811	2,020,065	1,707,064	3,272,060	2,862,035
Total Revenue	\$ -	\$ 6,800	\$ 79,673,093	\$ 189,705,454	\$ 189,392,454	\$ 215,246,147	\$ 235,291,621
Deductions From Revenue	\$ -	\$ -	\$ 21,435,582	\$ 50,611,790	\$ 50,611,790	\$ 57,161,551	\$ 62,677,641
Net Revenue	\$ -	\$ 6,800	\$ 58,237,511	\$ 139,093,664	\$ 138,780,663	\$ 158,084,595	\$ 172,613,980
Expense							
Salaries, Wages & Benefits	-	-	26,499,946	41,429,544	41,429,544	46,791,014	51,306,347
Supplies & Purchased Services	2,675,000	740,000	31,724,661	55,672,969	55,672,969	62,877,707	68,945,405
Other	15,000	-	4,302,116	16,870,597	16,870,597	19,053,850	20,892,547
Total Operating Expense	\$ 2,690,000	\$ 740,000	\$ 62,526,723	\$ 113,973,110	\$ 113,973,110	\$ 128,722,571	\$ 141,144,300
EBDIT	\$ (2,690,000)	\$ (733,200)	\$ (4,289,212)	\$ 25,120,554	\$ 24,807,553	\$ 29,362,024	\$ 31,469,680
Operating Margin (%)		-10782%	-5%	13%	13%	14%	13%
Capital Expenses							
Depreciation			4,643,979	5,436,911	5,436,911	8,911,652	8,911,652
Interest	200,000	1,400,000	5,245,108	5,245,108	5,245,108	5,245,108	5,245,108
Total Capital Expenses	200,000	1,400,000	9,889,087	10,682,019	10,682,019	14,156,760	14,156,760
Earnings Before Taxes	(2,890,000)	(2,133,200)	(14,178,299)	14,438,535	14,125,534	15,205,264	17,312,920
Earnings Before Taxes %	#DIV/0!	-31371%	-24%	10%	10%	10%	10%
Taxes							
Earnings After Taxes	\$ (2,890,000)	\$ (2,133,200)	\$ (14,178,299)	\$ 14,438,535	\$ 14,125,534	\$ 15,205,264	\$ 17,312,920
Earnings After Taxes %		-31371%	-24%	10%	10%	10%	10%
Distribution to Investors							
Retained Earnings	\$ (2,890,000)	\$ (2,133,200)	\$ (14,178,299)	\$ 14,438,535	\$ 14,125,534	\$ 15,205,264	\$ 17,312,920
Retained Earnings %		-31371%	-24%	10%	10%	10%	10%

Guam Hospital
Financial Projections
Hospital Only (No MOB)
\$12.5 million Initial Equipment

	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Revenue								
Inpatient	156,894,103	172,056,270	182,809,787	182,809,787	182,809,787	201,208,661	201,208,661	201,208,661
Outpatient	52,231,368	57,352,090	60,936,596	60,936,596	60,936,596	67,069,554	67,069,554	67,069,554
Other	23,504,115	25,808,440	27,421,468	27,421,468	27,421,468	30,181,299	30,181,299	30,181,299
Interest Income	4,960,001	6,225,804	6,277,866	9,030,534	10,803,415	13,918,126	14,591,757	16,658,657
Total Revenue	\$ 237,389,587	\$ 261,442,804	\$ 277,445,717	\$ 280,198,384	\$ 281,971,265	\$ 312,377,640	\$ 313,051,271	\$ 315,118,170
Deductions From Revenue	\$ 62,677,641	\$ 68,822,508	\$ 73,123,915	\$ 73,123,915	\$ 73,123,915	\$ 80,483,464	\$ 80,483,464	\$ 80,483,464
Net Revenue	\$ 174,711,946	\$ 192,620,096	\$ 204,321,802	\$ 207,074,469	\$ 208,847,350	\$ 231,894,176	\$ 232,567,806	\$ 234,634,706
Expense								
Salaries, Wages & Benefits	51,306,347	56,336,381	59,857,405	59,857,405	59,857,405	68,826,821	68,826,821	68,826,821
Supplies & Purchased Services	68,945,405	75,704,759	80,436,306	80,436,306	80,436,306	88,531,811	88,531,811	88,531,811
Other	20,892,547	22,940,836	24,374,638	24,374,638	24,374,638	26,827,821	26,827,821	26,827,821
Total Operating Expense	\$ 141,144,300	\$ 154,981,976	\$ 164,668,350	\$ 164,668,350	\$ 164,668,350	\$ 183,986,453	\$ 183,986,453	\$ 183,986,453
EBDIT	\$ 33,567,646	\$ 37,638,120	\$ 39,653,452	\$ 42,406,120	\$ 44,179,001	\$ 47,907,722	\$ 48,581,353	\$ 50,648,253
Operating Margin (%)	14%	14%	14%	15%	16%	15%	16%	16%
Capital Expenses								
Depreciation	8,911,652	12,886,393	12,886,393	12,886,393	12,886,393	14,861,134	14,861,134	14,861,134
Interest	5,245,108	5,245,108	5,245,108	5,245,108	5,245,108	5,245,108	5,245,108	5,245,108
Total Capital Expenses	14,156,760	18,131,501	18,131,501	18,131,501	18,131,501	20,106,242	20,106,242	20,106,242
Earnings Before Taxes	19,410,886	19,506,619	21,521,951	24,274,619	26,047,500	27,801,480	28,475,111	30,542,010
Earnings Before Taxes %	11%	10%	11%	12%	12%	12%	12%	13%
Taxes								
Earnings After Taxes	\$ 19,410,886	\$ 19,506,619	\$ 21,521,951	\$ 24,274,619	\$ 26,047,500	\$ 27,801,480	\$ 28,475,111	\$ 30,542,010
Earnings After Taxes %	11%	10%	11%	12%	12%	12%	12%	13%
Distribution to Investors								
Retained Earnings	\$ 19,410,886	\$ 19,506,619	\$ 21,521,951	\$ 24,274,619	\$ 26,047,500	\$ 27,801,480	\$ 28,475,111	\$ 30,542,010
Retained Earnings %	11%	10%	11%	12%	12%	12%	12%	13%

Guam Hospital
Financial Projections
Hospital Only (No MOB)
\$12.5 million Initial Equipment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Balance Sheet							
Current Assets							
Cash	85,000	2,285,133	25,250,813	21,338,306	40,900,751	35,775,437	62,000,009
Accounts Receivables Included in Cash							
Inventories							
Total Current Assets	85,000	2,285,133	25,250,813	21,338,306	40,900,751	35,775,437	62,000,009
Fixed Assets							
Land	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Land Improvements	-	666,667	666,667	666,667	666,667	666,667	666,667
Buildings	25,000	25,025,000	63,652,708	87,440,861	87,440,661	101,682,890	101,682,890
Equipment	-	-	12,500,000	12,500,000	12,500,000	27,500,000	27,500,000
Accum Depreciation	-	-	(4,643,979)	(10,080,890)	(15,517,801)	(24,429,453)	(33,341,105)
Total Fixed Assets	2,025,000	27,691,667	74,175,396	92,526,438	87,089,527	107,420,104	98,508,452
Total Assets	2,110,000	29,976,800	99,426,209	113,864,743	127,990,277	143,195,541	160,508,461
Liabilities							
Current Liabilities	-	-					
Long Term Liabilities							
Bonds/Loans	5,000,000	35,000,000	113,627,708	113,627,708	113,627,708	113,627,708	113,627,708
Performance Bonds	-	-	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Long Term Liabilities	5,000,000	35,000,000	118,627,708	118,627,708	118,627,708	118,627,708	118,627,708
Total Liabilities	5,000,000	35,000,000	118,627,708	118,627,708	118,627,708	118,627,708	118,627,708
Equity							
Beginning Equity	-	(2,890,000)	(5,023,200)	(19,201,499)	(4,762,965)	9,362,569	24,567,833
Retained Earnings	(2,890,000)	(2,133,200)	(14,178,299)	14,438,535	14,125,534	15,205,264	17,312,920
Total Equity	(2,890,000)	(5,023,200)	(19,201,499)	(4,762,965)	9,362,569	24,567,833	41,880,753
Total Liabilities and Equity	2,110,000	29,976,800	99,426,209	113,864,743	127,990,277	143,195,541	160,508,461
	-	-	-	-	-	-	-

Guam Hospital
Financial Projections
Hospital Only (No MOB)
\$12.5 million Initial Equipment

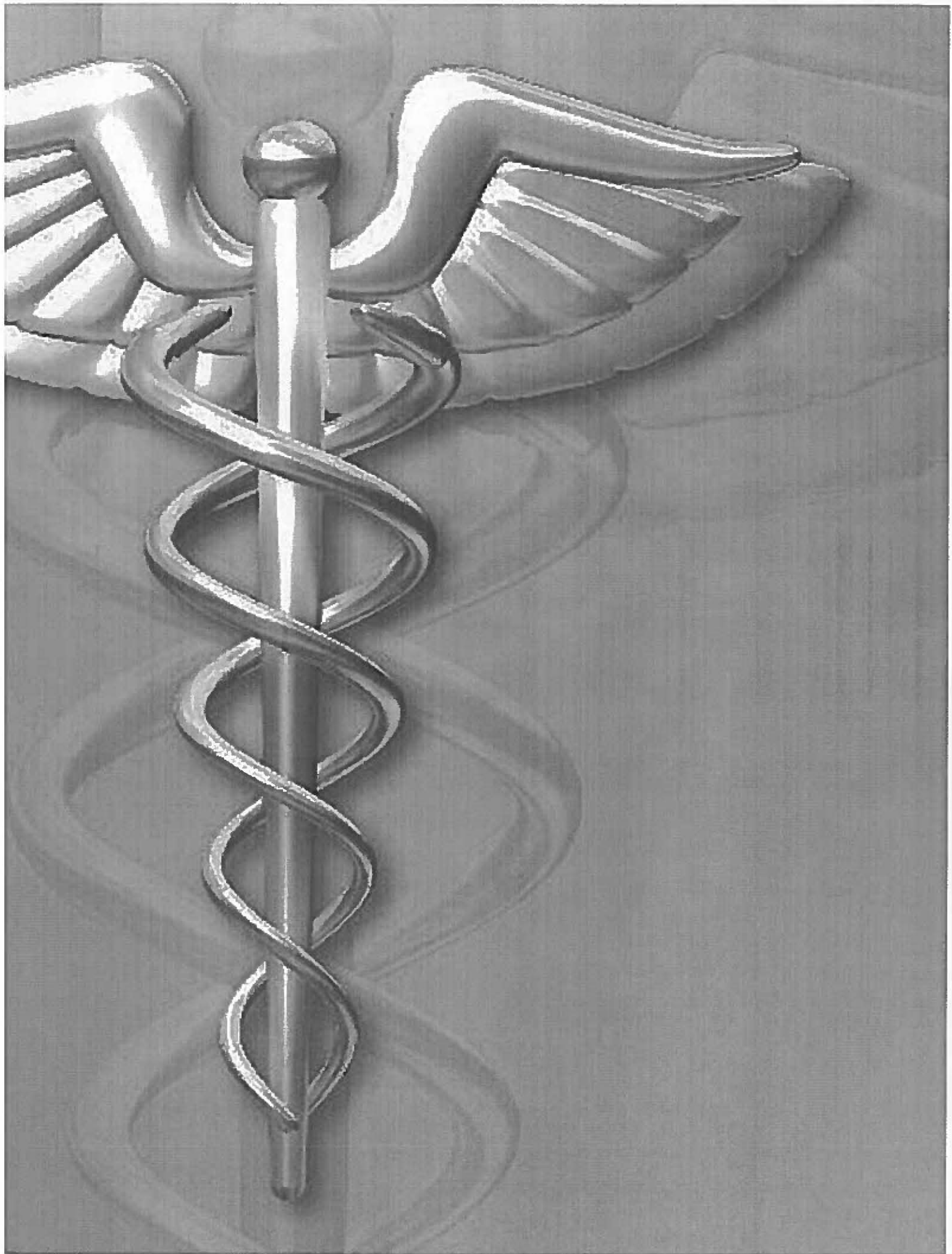
	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Balance Sheet								
Current Assets								
Cash	77,822,547	78,473,329	112,881,673	135,042,685	173,976,578	182,396,963	208,233,207	253,636,352
Accounts Receivables Included								
Inventories								
Total Current Assets	77,822,547	78,473,329	112,881,673	135,042,685	173,976,578	182,396,963	208,233,207	253,636,352
Fixed Assets								
Land	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Land Improvements	666,667	666,667	666,667	666,667	666,667	666,667	666,667	666,667
Buildings	101,682,890	115,925,119	115,925,119	115,925,119	115,925,119	130,167,348	130,167,348	130,167,348
Equipment	40,000,000	57,500,000	57,500,000	72,500,000	72,500,000	92,500,000	110,000,000	110,000,000
Accum Depreciation	(42,252,757)	(55,139,150)	(68,025,542)	(80,911,935)	(93,798,328)	(108,659,462)	(123,520,596)	(138,381,729)
Total Fixed Assets	102,096,800	120,952,636	108,066,243	110,179,850	97,293,457	116,674,552	119,313,419	104,452,285
Total Assets	179,919,346	199,425,965	220,947,916	245,222,535	271,270,035	299,071,515	327,546,626	358,088,636
Liabilities								
Current Liabilities								
Long Term Liabilities								
Bonds/Loans	113,627,708	113,627,708	113,627,708	113,627,708	113,627,708	113,627,708	113,627,708	113,627,708
Performance Bonds	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Long Term Liabilities	118,627,708	118,627,708	118,627,708	118,627,708	118,627,708	118,627,708	118,627,708	118,627,708
Total Liabilities	118,627,708	118,627,708	118,627,708	118,627,708	118,627,708	118,627,708	118,627,708	118,627,708
Equity								
Beginning Equity	41,880,753	61,291,638	80,798,257	102,320,208	126,594,827	152,642,327	180,443,807	208,918,918
Retained Earnings	19,410,886	19,506,619	21,521,951	24,274,619	26,047,500	27,801,480	28,475,111	30,542,010
Total Equity	61,291,638	80,798,257	102,320,208	126,594,827	152,642,327	180,443,807	208,918,918	239,460,928
Total Liabilities and Equity	179,919,346	199,425,965	220,947,916	245,222,535	271,270,035	299,071,515	327,546,626	358,088,636

Guam Hospital
Financial Projections
Hospital Only (No MOB)
\$12.5 million Initial Equipment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Cash Flow Statement							
Inflows							
Hospital Operating Revenue	-	-	58,054,701	137,073,599	137,073,599	154,812,535	169,751,945
Bond Financing	5,000,000	30,000,000	78,627,708	-	-	-	-
Performance Bonds	-	-	5,000,000	-	-	-	-
Interest Income	-	6,800	182,811	2,020,065	1,707,064	3,272,060	2,862,035
Total Inflows	5,000,000	30,006,800	141,865,219	139,093,664	138,780,663	158,084,595	172,613,980
Outflows							
Hospital Operating Expenses	2,690,000	740,000	62,526,723	113,973,110	113,973,110	128,722,571	141,144,300
Interest Expense	-	-	-	-	-	-	-
Bond Payments - Interest	200,000	1,400,000	4,545,108	4,545,108	4,545,108	4,545,108	4,545,108
Bond Payments - Principal	-	-	-	-	-	-	-
Performance Bonds - Interest	-	-	700,000	700,000	700,000	700,000	700,000
Capital Expenditures	2,025,000	25,666,667	51,127,708	23,787,953	-	29,242,229	-
Taxes	-	-	-	-	-	-	-
Total Outflows	4,915,000	27,806,667	118,899,539	143,006,171	119,218,218	163,209,909	146,389,408
Net Cash Flow	85,000	2,200,133	22,965,680	(3,912,508)	19,562,445	(5,125,313)	26,224,572
Accumulated Net Cash Flow	85,000	2,285,133	25,250,813	21,338,306	40,900,751	35,775,437	62,000,009
Days Cash	10.74	389.75	127.27	62.48	119.76	91.39	145.72
Capital Expenditures							
Land	2,000,000	-	-	-	-	-	-
Land Improvements	-	666,667	-	-	-	-	-
Buildings	25,000	25,000,000	38,627,708	23,787,953	-	14,242,229	-
Equipment	-	-	12,500,000	-	-	15,000,000	-
Total Capital Expenditures	2,025,000	25,666,667	51,127,708	23,787,953	-	29,242,229	-
B = PV Benefits (Returns)	\$ (2,890,000)	\$ (2,069,204)	\$ (13,340,362)	\$ 13,177,661	\$ 12,505,234	\$ 13,057,277	\$ 14,421,178
C = PV Costs	118,627,708						
B/C (15 years)	1.49						
NPV (15 years)	\$ 177,121,085						
IRR	9.0%						
ROI (15 years)	202%						
IRR Cash Flows By Year	(118,627,708)	2,285,133	22,965,680	(3,912,508)	19,562,445	(5,125,313)	26,224,572

Guam Hospital
Financial Projections
Hospital Only (No MOB)
\$12.5 million Initial Equipment

	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	
Cash Flow Statement									
Inflows									
Hospital Operating Revenue	169,751,945	186,394,292	198,043,936	198,043,936	198,043,936	217,976,049	217,976,049	217,976,049	
Bond Financing	-	-	-	-	-	-	-	-	
Performance Bonds	-	-	-	-	-	-	-	-	
Interest Income	4,960,001	6,225,804	6,277,866	9,030,534	10,803,415	13,918,126	14,591,757	16,658,657	
Total Inflows	174,711,946	192,620,096	204,321,802	207,074,469	208,847,350	231,894,176	232,567,806	234,634,706	
Outflows									
Hospital Operating Expenses	141,144,300	154,981,976	164,668,350	164,668,350	164,668,350	183,986,453	183,986,453	183,986,453	
Interest Expense	-	-	-	-	-	-	-	-	
Bond Payments - Interest	4,545,108	4,545,108	4,545,108	4,545,108	4,545,108	4,545,108	4,545,108	4,545,108	
Bond Payments - Principal	-	-	-	-	-	-	-	-	
Performance Bonds - Interest	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	
Capital Expenditures	12,500,000	31,742,229	-	15,000,000	-	34,242,229	17,500,000	-	
Taxes	-	-	-	-	-	-	-	-	
Total Outflows	158,889,408	191,969,313	169,913,458	184,913,458	169,913,458	223,473,791	206,731,562	189,231,562	
Net Cash Flow	15,822,538	650,783	34,408,344	22,161,012	38,933,893	8,420,385	25,836,245	45,403,144	
Accumulated Net Cash Flow	77,822,547	78,473,329	112,881,673	135,042,685	173,976,578	182,396,963	208,233,207	253,636,352	
Days Cash	182.90	165.46	225.39	269.64	347.38	326.20	372.40	453.60	
Capital Expenditures									
Land	-	-	-	-	-	-	-	-	
Land Improvements	-	-	-	-	-	-	-	-	
Buildings	-	14,242,229	-	-	-	14,242,229	-	-	
Equipment	12,500,000	17,500,000	-	15,000,000	-	20,000,000	17,500,000	-	
Total Capital Expenditures	12,500,000	31,742,229	-	15,000,000	-	34,242,229	17,500,000	-	
B = PV Benefits (Returns)	\$ 15,683,663	\$ 15,288,183	\$ 16,361,656	\$ 17,900,690	\$ 18,631,813	\$ 19,289,845	\$ 19,164,521	\$ 19,938,932	Total
C = PV Costs									\$ 177,121,085
B/C (15 years)									
NPV (15 years)									
IRR									
ROI (15 years)									
IRR Cash Flows By Year	15,822,538	650,783	34,408,344	22,161,012	38,933,893	8,420,385	25,836,245	45,403,144	



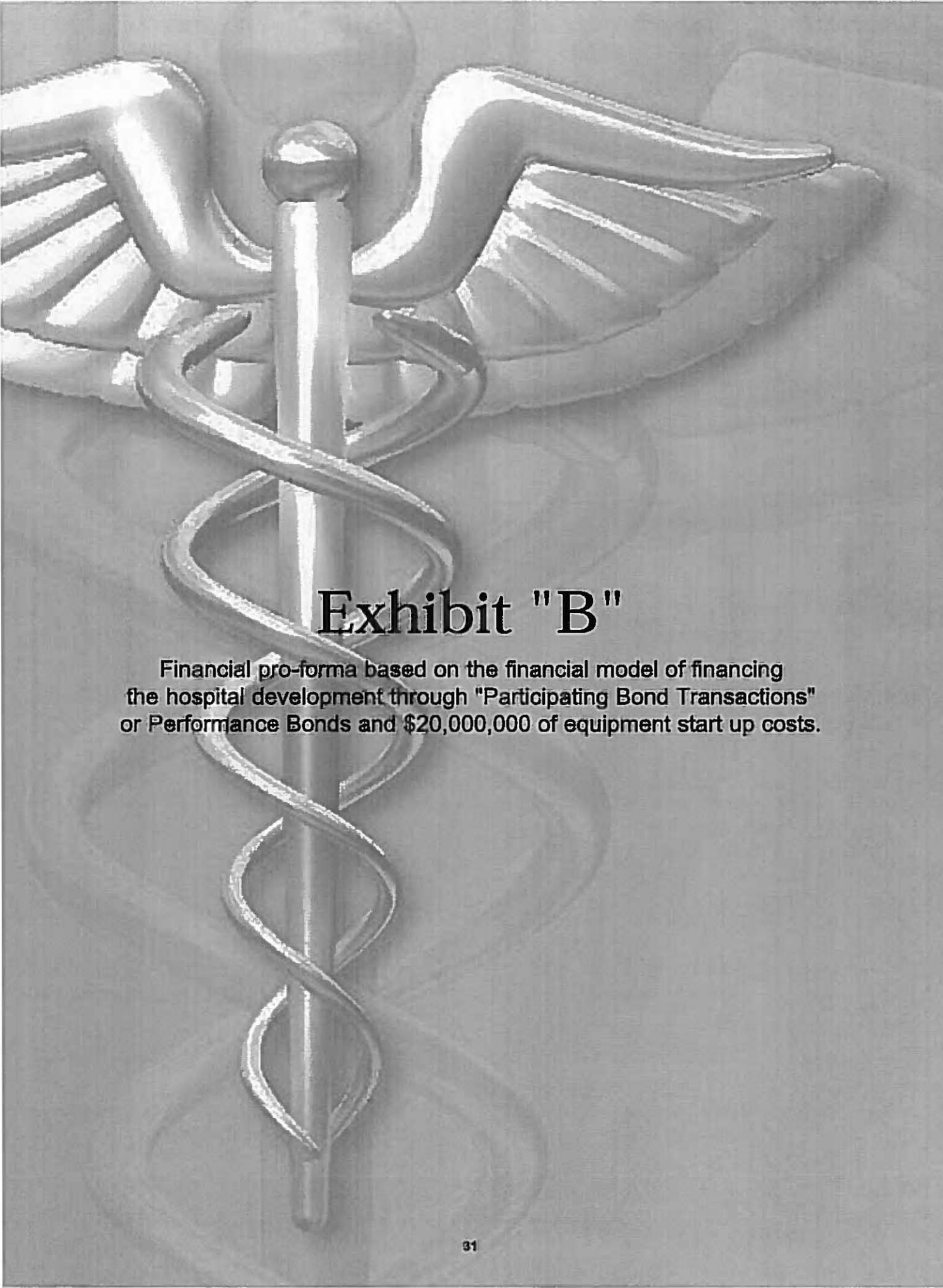


Exhibit "B"

Financial pro-forma based on the financial model of financing the hospital development through "Participating Bond Transactions" or Performance Bonds and \$20,000,000 of equipment start up costs.

Guam Hospital
Financial Projections
Hospital Only (No MOB)
\$20 million Initial Equipment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Revenue							
Inpatient	-	-	53,588,954	126,529,476	126,529,476	142,903,879	156,694,103
Outpatient	-	-	17,862,985	42,176,492	42,176,492	47,634,626	52,231,368
Other	-	-	8,038,343	18,979,421	18,979,421	21,435,582	23,504,115
Interest Income		6,800	182,811	1,996,065	1,657,144	3,194,146	3,018,860
Total Revenue	\$ -	\$ 6,800	\$ 79,673,093	\$ 189,681,454	\$ 189,342,534	\$ 215,168,233	\$ 235,448,446
Deductions From Revenue	\$ -	\$ -	\$ 21,435,582	\$ 50,611,790	\$ 50,611,790	\$ 57,161,551	\$ 62,677,641
Net Revenue	\$ -	\$ 6,800	\$ 58,237,511	\$ 139,069,664	\$ 138,730,743	\$ 158,006,682	\$ 172,770,805
Expense							
Salaries, Wages & Benefits	-	-	26,499,946	41,429,544	41,429,544	46,791,014	51,306,347
Supplies & Purchased Services	2,675,000	740,000	31,724,661	55,672,969	55,672,969	62,877,707	68,945,405
Other	15,000	-	4,302,116	16,870,597	16,870,597	19,053,850	20,892,547
Total Operating Expense	\$ 2,690,000	\$ 740,000	\$ 62,526,723	\$ 113,973,110	\$ 113,973,110	\$ 128,722,571	\$ 141,144,300
EBDIT	\$ (2,690,000)	\$ (733,200)	\$ (4,289,212)	\$ 25,096,554	\$ 24,757,633	\$ 29,284,110	\$ 31,626,505
Operating Margin (%)		-10782%	-5%	13%	13%	14%	13%
Capital Expenses							
Depreciation			6,143,979	6,936,911	6,936,911	10,301,247	10,301,247
Interest	200,000	1,400,000	5,545,108	5,545,108	5,545,108	5,545,108	5,545,108
Total Capital Expenses	200,000	1,400,000	11,689,087	12,482,019	12,482,019	15,846,355	15,846,355
Earnings Before Taxes	(2,890,000)	(2,133,200)	(15,978,299)	12,614,535	12,275,614	13,437,755	15,780,150
Earnings Before Taxes %	#DIV/0!	-31371%	-27%	9%	9%	9%	9%
Taxes							
Earnings After Taxes	\$ (2,890,000)	\$ (2,133,200)	\$ (15,978,299)	\$ 12,614,535	\$ 12,275,614	\$ 13,437,755	\$ 15,780,150
Earnings After Taxes %		-31371%	-27%	9%	9%	9%	9%
Distribution to Investors							
Retained Earnings	\$ (2,890,000)	\$ (2,133,200)	\$ (15,978,299)	\$ 12,614,535	\$ 12,275,614	\$ 13,437,755	\$ 15,780,150
Retained Earnings %		-31371%	-27%	9%	9%	9%	9%

Guam Hospital
Financial Projections
Hospital Only (No MOB)
\$20 million Initial Equipment

	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Revenue								
Inpatient	156,694,103	172,056,270	182,809,787	182,809,787	182,809,787	201,208,661	201,208,661	201,208,661
Outpatient	52,231,368	57,352,090	60,936,596	60,936,596	60,936,596	67,069,554	67,069,554	67,069,554
Other	23,504,115	25,808,440	27,421,468	27,421,468	27,421,468	30,181,299	30,181,299	30,181,299
Interest Income	5,105,372	5,758,804	6,014,479	8,722,075	10,446,280	13,508,420	14,390,246	16,417,025
Total Revenue	\$ 237,534,958	\$ 260,976,605	\$ 277,182,329	\$ 279,889,926	\$ 281,814,130	\$ 311,987,934	\$ 312,849,760	\$ 314,876,539
Deductions From Revenue	\$ 62,677,641	\$ 68,822,508	\$ 73,123,915	\$ 73,123,915	\$ 73,123,915	\$ 80,483,464	\$ 80,483,464	\$ 80,483,464
Net Revenue	\$ 174,857,317	\$ 192,153,097	\$ 204,058,414	\$ 206,766,011	\$ 208,490,215	\$ 231,484,470	\$ 232,366,296	\$ 234,393,074
Expense								
Salaries, Wages & Benefits	51,306,347	56,336,381	59,857,405	59,857,405	59,857,405	68,626,821	68,626,821	68,626,821
Supplies & Purchased Services	68,945,405	75,704,759	80,436,306	80,436,306	80,436,306	88,531,811	88,531,811	88,531,811
Other	20,892,547	22,940,836	24,374,638	24,374,638	24,374,638	26,827,821	26,827,821	26,827,821
Total Operating Expense	\$ 141,144,300	\$ 154,981,976	\$ 164,668,350	\$ 164,668,350	\$ 164,668,350	\$ 183,986,453	\$ 183,986,453	\$ 183,986,453
EBDIT	\$ 33,713,017	\$ 37,171,121	\$ 39,390,065	\$ 42,097,661	\$ 43,821,866	\$ 47,498,016	\$ 48,379,842	\$ 50,406,621
Operating Margin (%)	14%	14%	14%	15%	16%	15%	15%	16%
Capital Expenses								
Depreciation	10,301,247	14,165,583	14,165,583	14,165,583	14,165,583	14,529,919	14,529,919	14,529,919
Interest	5,545,108	5,545,108	5,545,108	5,545,108	5,545,108	5,545,108	5,545,108	5,545,108
Total Capital Expenses	15,846,355	19,710,691	19,710,691	19,710,691	19,710,691	20,075,028	20,075,028	20,075,028
Earnings Before Taxes	17,866,662	17,460,429	19,679,373	22,386,970	24,111,174	27,422,989	28,304,815	30,331,593
Earnings Before Taxes %	10%	9%	10%	11%	12%	12%	12%	13%
Taxes								
Earnings After Taxes	\$ 17,866,662	\$ 17,460,429	\$ 19,679,373	\$ 22,386,970	\$ 24,111,174	\$ 27,422,989	\$ 28,304,815	\$ 30,331,593
Earnings After Taxes %	10%	9%	10%	11%	12%	12%	12%	13%
Distribution to Investors								
Retained Earnings	\$ 17,866,662	\$ 17,460,429	\$ 19,679,373	\$ 22,386,970	\$ 24,111,174	\$ 27,422,989	\$ 28,304,815	\$ 30,331,593
Retained Earnings %	10%	9%	10%	11%	12%	12%	12%	13%

Guam Hospital
Financial Projections
Hospital Only (No MOB)
\$20 million Initial Equipment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Balance Sheet							
Current Assets							
Cash	85,000	2,285,133	24,950,813	20,714,306	39,926,831	37,735,750	63,817,147
Accounts Receivables Included in Cash							
Inventories							
Total Current Assets	85,000	2,285,133	24,950,813	20,714,306	39,926,831	37,735,750	63,817,147
Fixed Assets							
Land	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Land Improvements	-	666,667	666,667	666,667	666,667	666,667	666,667
Buildings	25,000	25,025,000	63,652,708	87,440,661	87,440,661	98,370,744	98,370,744
Equipment	-	-	20,000,000	20,000,000	20,000,000	35,000,000	35,000,000
Accum Depreciation	-	-	(6,143,979)	(13,080,890)	(20,017,801)	(30,319,048)	(40,620,295)
Total Fixed Assets	2,025,000	27,691,667	80,175,396	97,026,438	90,089,527	105,718,362	95,417,115
Total Assets	2,110,000	29,976,800	105,126,209	117,740,743	130,016,357	143,454,112	159,234,262
Liabilities							
Current Liabilities	-	-					
Long Term Liabilities							
Bonds/Loans	5,000,000	35,000,000	121,127,708	121,127,708	121,127,708	121,127,708	121,127,708
Performance Bonds	-	-	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Long Term Liabilities	5,000,000	35,000,000	126,127,708	126,127,708	126,127,708	126,127,708	126,127,708
Total Liabilities	5,000,000	35,000,000	126,127,708	126,127,708	126,127,708	126,127,708	126,127,708
Equity							
Beginning Equity	-	(2,890,000)	(5,023,200)	(21,001,499)	(8,386,965)	3,888,649	17,326,404
Retained Earnings	(2,890,000)	(2,133,200)	(15,978,299)	12,614,535	12,275,614	13,437,755	15,780,150
Total Equity	(2,890,000)	(5,023,200)	(21,001,499)	(8,386,965)	3,888,649	17,326,404	33,106,554
Total Liabilities and Equity	2,110,000	29,976,800	105,126,209	117,740,743	130,016,357	143,454,112	159,234,262
	-	-	-	-	-	-	-

Guam Hospital
Financial Projections
Hospital Only (No MOB)
\$20 million Initial Equipment

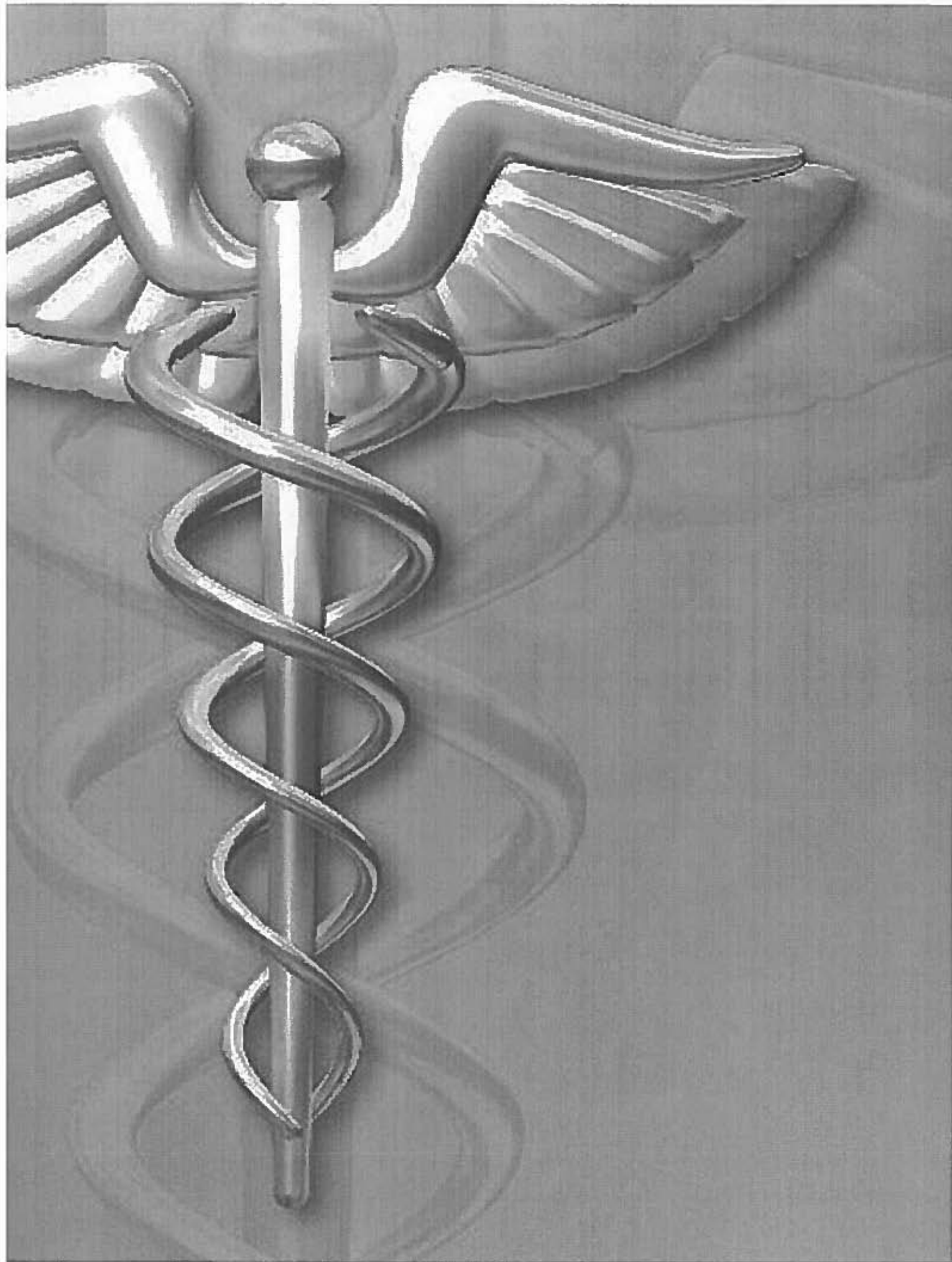
	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Balance Sheet								
Current Assets								
Cash	71,985,055	75,180,985	109,025,941	130,578,495	168,855,252	179,878,077	205,212,811	250,074,323
Accounts Receivables Includer								
Inventories								
Total Current Assets	71,985,055	75,180,985	109,025,941	130,578,495	168,855,252	179,878,077	205,212,811	250,074,323
Fixed Assets								
Land	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Land Improvements	666,667	666,667	666,667	666,667	666,667	666,667	666,667	666,667
Buildings	98,370,744	109,300,826	109,300,826	109,300,826	109,300,826	120,230,909	120,230,909	120,230,909
Equipment	55,000,000	72,500,000	72,500,000	87,500,000	87,500,000	107,500,000	125,000,000	125,000,000
Accum Depreciation	(50,921,542)	(65,087,125)	(79,252,708)	(93,418,291)	(107,583,874)	(122,113,794)	(136,643,713)	(151,173,632)
Total Fixed Assets	105,115,868	119,380,368	105,214,785	106,049,202	91,893,618	108,283,782	111,253,863	96,723,944
Total Assets	177,100,923	194,561,353	214,240,726	236,627,696	260,738,870	288,161,859	316,466,674	346,798,267
Liabilities								
Current Liabilities								
Long Term Liabilities								
Bonds/Loans	121,127,708	121,127,708	121,127,708	121,127,708	121,127,708	121,127,708	121,127,708	121,127,708
Performance Bonds	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Long Term Liabilities	126,127,708	126,127,708	126,127,708	126,127,708	126,127,708	126,127,708	126,127,708	126,127,708
Total Liabilities	126,127,708	126,127,708	126,127,708	126,127,708	126,127,708	126,127,708	126,127,708	126,127,708
Equity								
Beginning Equity	33,106,554	50,973,215	68,433,645	88,113,018	110,499,988	134,611,162	162,034,151	190,338,966
Retained Earnings	17,866,662	17,460,429	19,679,373	22,386,970	24,111,174	27,422,989	28,304,815	30,331,593
Total Equity	50,973,215	68,433,645	88,113,018	110,499,988	134,611,162	162,034,151	190,338,966	220,670,559
Total Liabilities and Equity	177,100,923	194,561,353	214,240,726	236,627,696	260,738,870	288,161,859	316,466,674	346,798,267

Guam Hospital
Financial Projections
Hospital Only (No MOB)
\$20 million Initial Equipment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Cash Flow Statement							
Inflows							
Hospital Operating Revenue	-	-	58,054,701	137,073,599	137,073,599	154,812,535	169,751,945
Bond Financing	5,000,000	30,000,000	86,127,708	-	-	-	-
Performance Bonds	-	-	5,000,000	-	-	-	-
Interest Income	-	6,800	182,811	1,996,065	1,657,144	3,194,146	3,018,860
Total Inflows	5,000,000	30,006,800	149,365,219	139,069,664	138,730,743	158,006,682	172,770,805
Outflows							
Hospital Operating Expenses	2,690,000	740,000	62,526,723	113,973,110	113,973,110	128,722,571	141,144,300
Interest Expense	-	-	-	-	-	-	-
Bond Payments - Interest	200,000	1,400,000	4,845,108	4,845,108	4,845,108	4,845,108	4,845,108
Bond Payments - Principal	-	-	-	-	-	-	-
Performance Bonds - Interest	-	-	700,000	700,000	700,000	700,000	700,000
Capital Expenditures	2,025,000	25,666,667	58,627,708	23,787,953	-	25,930,083	-
Taxes	-	-	-	-	-	-	-
Total Outflows	4,915,000	27,806,667	126,699,539	143,306,171	119,518,218	160,197,762	146,689,408
Net Cash Flow	85,000	2,200,133	22,665,680	(4,236,508)	19,212,525	(2,191,081)	26,081,397
Accumulated Net Cash Flow	85,000	2,285,133	24,950,813	20,714,306	39,926,831	37,735,750	63,817,147
Days Cash	10.74	389.75	122.71	59.79	115.24	95.27	148.37
Capital Expenditures							
Land	2,000,000	-	-	-	-	-	-
Land Improvements	-	666,667	-	-	-	-	-
Buildings	25,000	25,000,000	38,627,708	23,787,953	-	10,930,083	-
Equipment	-	-	20,000,000	-	-	15,000,000	-
Total Capital Expenditures	2,025,000	25,666,667	58,627,708	23,787,953	-	25,930,083	-
B = PV Benefits (Returns)	\$ (2,890,000)	\$ (2,069,204)	\$ (15,033,982)	\$ 11,512,945	\$ 10,867,513	\$ 11,539,457	\$ 13,144,423
C = PV Costs	126,127,708						
B/C (15 years)	1.28						
NPV (15 years)	\$ 161,786,626						
IRR	8.0%						
ROI (15 years)	175%						
IRR Cash Flows By Year	(126,127,708)	2,285,133	22,665,680	(4,236,508)	19,212,525	(2,191,081)	26,081,397

Guam Hospital
Financial Projections
Hospital Only (No MOB)
\$20 million Initial Equipment

	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	
Cash Flow Statement									
Inflows									
Hospital Operating Revenue	169,751,945	186,394,292	198,043,936	198,043,936	198,043,936	217,976,049	217,976,049	217,976,049	
Bond Financing	-	-	-	-	-	-	-	-	
Performance Bonds	-	-	-	-	-	-	-	-	
Interest Income	5,105,372	5,758,804	6,014,479	8,722,075	10,446,280	13,508,420	14,390,246	16,417,025	
Total Inflows	174,857,317	192,153,097	204,058,414	206,766,011	208,490,215	231,484,470	232,366,296	234,393,074	
Outflows									
Hospital Operating Expenses	141,144,300	154,981,976	164,668,350	164,668,350	164,668,350	183,986,453	183,986,453	183,986,453	
Interest Expense	-	-	-	-	-	-	-	-	
Bond Payments - Interest	4,845,108	4,845,108	4,845,108	4,845,108	4,845,108	4,845,108	4,845,108	4,845,108	
Bond Payments - Principal	-	-	-	-	-	-	-	-	
Performance Bonds - Interest	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	
Capital Expenditures	20,000,000	28,430,083	-	15,000,000	-	30,930,083	17,500,000	-	
Taxes	-	-	-	-	-	-	-	-	
Total Outflows	166,689,408	188,957,167	170,213,458	185,213,458	170,213,458	220,461,644	207,031,562	189,531,562	
Net Cash Flow	8,167,909	3,195,930	33,844,957	21,552,553	38,276,757	11,022,825	25,334,734	44,861,513	
Accumulated Net Cash Flow	71,985,055	75,180,985	109,025,941	130,578,495	168,855,252	179,878,077	205,212,811	250,074,323	
Days Cash	167.36	157.08	215.83	258.50	334.27	321.74	367.06	447.30	
Capital Expenditures									
Land	-	-	-	-	-	-	-	-	
Land Improvements	-	-	-	-	-	-	-	-	
Buildings	-	10,930,083	-	-	-	10,930,083	-	-	
Equipment	20,000,000	17,500,000	-	15,000,000	-	20,000,000	17,500,000	-	
Total Capital Expenditures	20,000,000	28,430,083	-	15,000,000	-	30,930,083	17,500,000	-	
B = PV Benefits (Returns)	\$ 14,435,956	\$ 13,684,495	\$ 14,960,871	\$ 16,508,692	\$ 17,246,757	\$ 19,027,231	\$ 19,049,907	\$ 19,801,565	Total \$ 161,786,626
C = PV Costs									
B/C (15 years)									
NPV (15 years)									
IRR									
ROI (15 years)									
IRR Cash Flows By Year	8,167,909	3,195,930	33,844,957	21,552,553	38,276,757	11,022,825	25,334,734	44,861,513	



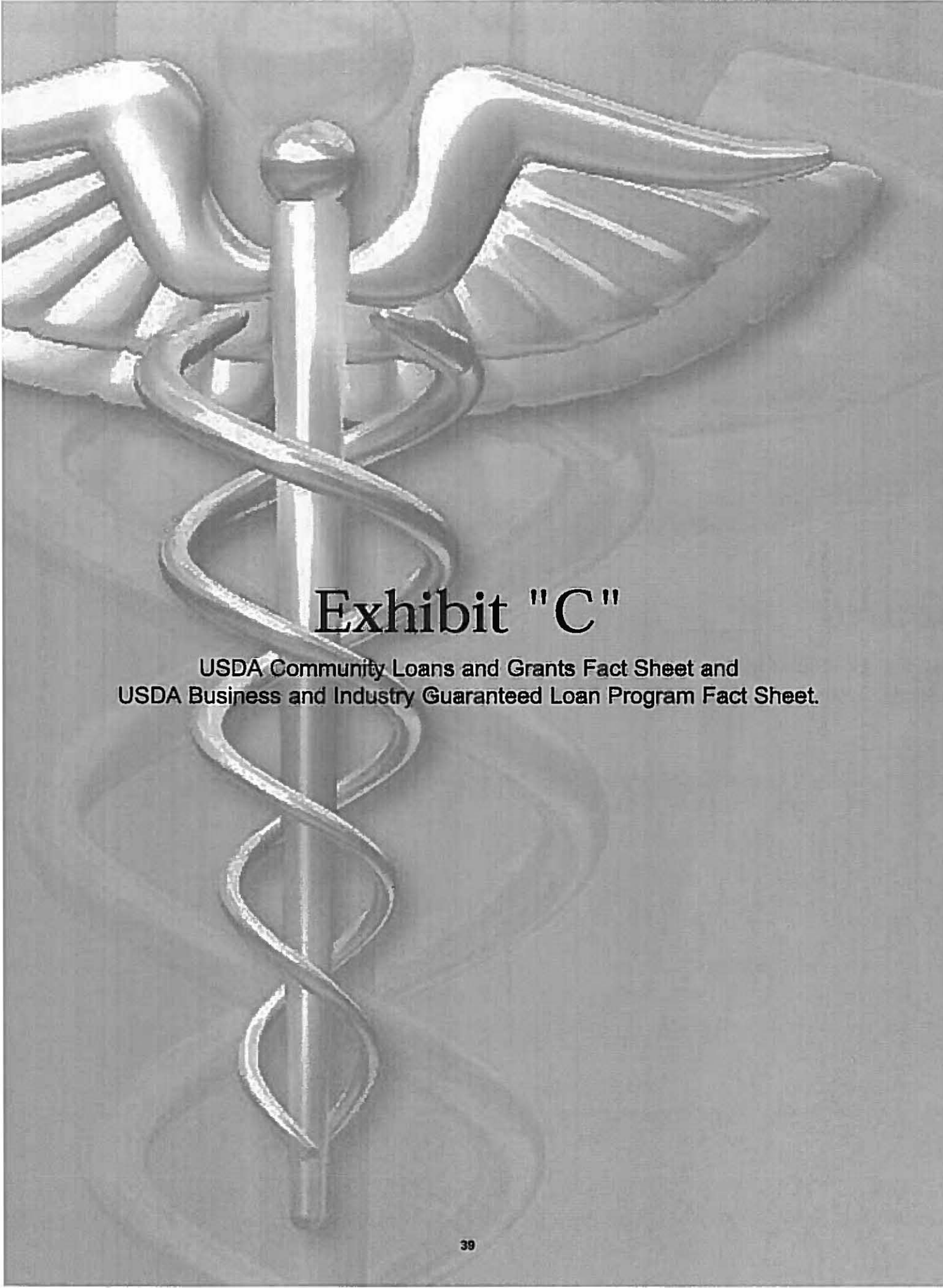
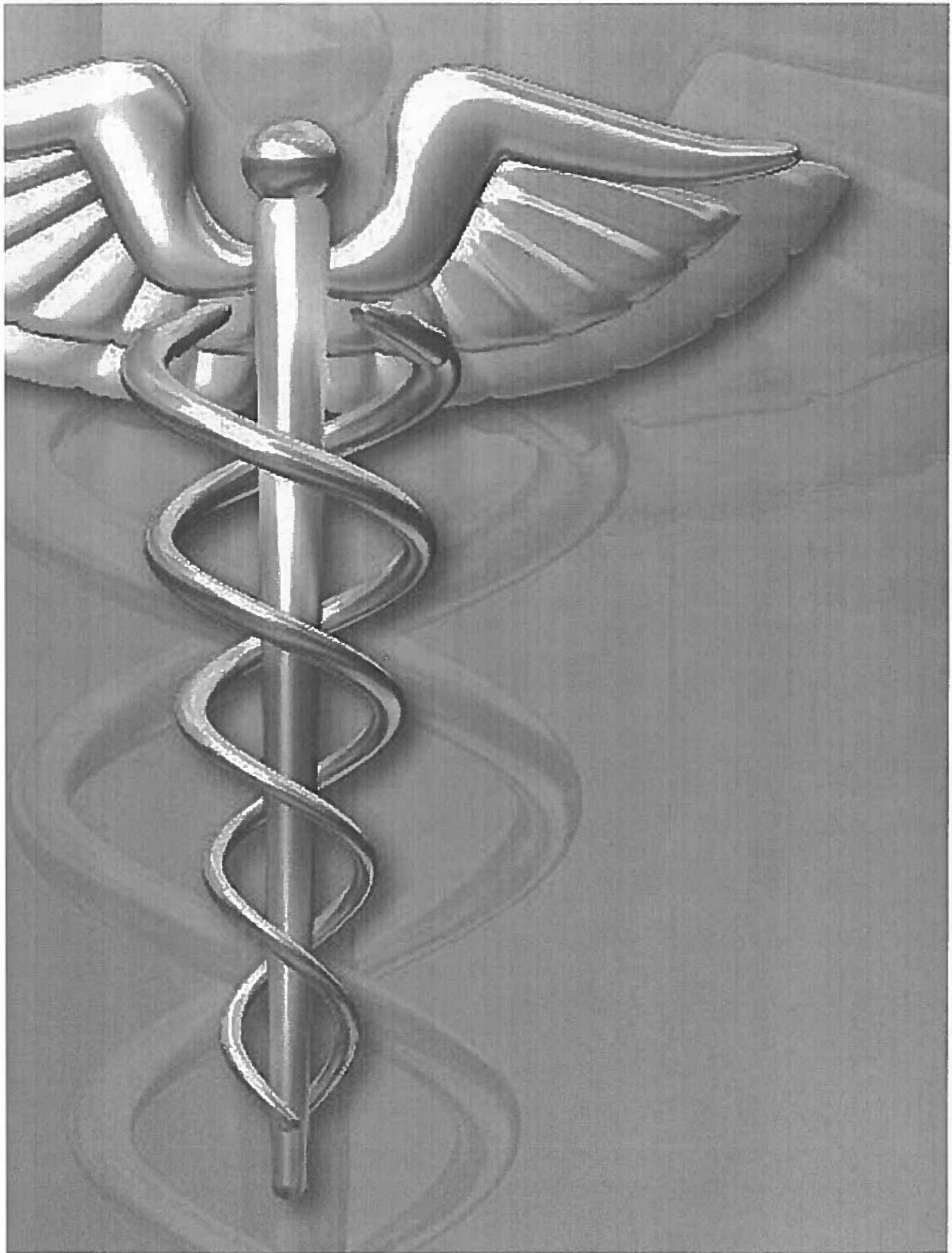


Exhibit "C"

USDA Community Loans and Grants Fact Sheet and
USDA Business and Industry Guaranteed Loan Program Fact Sheet.





Committed to the future of rural communities.

Rural Housing and Community Programs

Community Facilities Loans and Grants

Community facilities — such as health care clinics, police and fire stations, schools and child care centers — are essential to the quality of life in any rural community. Through its Community Facilities Loan Program, USDA Rural Development is striving to ensure that such facilities are readily available to all rural Americans. The commitment of USDA to this effort is at the core of its mission and its promise to help build stronger, more vibrant rural communities across the nation.

Rural Development can make and guarantee loans to develop essential community facilities in rural areas and towns of up to 20,000 in population. Rural Development can guarantee loans made and serviced by lenders such as banks, savings and loans, mortgage companies which are part of bank holding companies, members of the Farm Credit System, or insurance companies regulated by the National Association of Insurance Commissioners. Rural Development may guarantee up to 90 percent of any loss of interest or principal on the loan. Normally, guarantees will not exceed 80 percent. Direct loans from USDA can also be made to applicants who are unable to obtain commercial credit.

How May Funds Be Used?

Loans may be used to construct, enlarge, or improve community facilities for health care, public safety, and public services. This can include costs to acquire land needed for a facility, pay necessary professional fees, and purchase equipment required for its operation.

Examples of Essential Community Facilities

Health Care

Clinics, ambulatory care centers, hospitals, rehabilitation centers, and nursing homes.

Education

Schools, school buses, Headstart centers, pre-schools, child care centers and college classrooms and dormitories.

Public Safety

Communications centers, police and fire stations, fire trucks, rescue vehicles, and jails.

Public Services

Adult day care centers, city halls, courthouses, community centers, homeless shelters, domestic abuse centers, food banks, airports, garages, off-street parking facilities, sidewalks, street improvements, libraries, museums, fairgrounds, and animal shelters.

Who May Apply?

Loans and guarantees are available to public entities such as municipalities, counties, and special-purpose districts, as well as to nonprofit corporations and tribal governments.

In addition, applicants must have the legal authority to borrow and repay loans, to pledge security for loans, and to construct, operate, and maintain the facilities. They must also be financially sound and able to organize and manage the facility effectively.

Repayment of the loan must be based on tax assessments, revenues, fees, or other sources of money sufficient for operation and maintenance, reserves, and debt retirement.

What Are the Terms?

The maximum term for all loans is 40 years. However, the repayment period is limited to the useful life of the facility or any statutory limitation on the applicant's borrowing authority.

What Is the Interest Rate?

Interest rates for direct loans are based on current market yields for municipal obligations, although loans for facilities impacting prime or unique farmland may require a slightly higher rate. Certain other direct loans may qualify for a lower interest rate, depending upon the median household income of the residents of the community to be served. The interest rates for guaranteed loans may be fixed or variable and are determined by the lender and borrower, subject to USDA review and approval.

What Security Is Required?

Bonds or notes pledging taxes, assessments, or revenues will be accepted as security if they meet statutory requirements. Where State laws permit, a mortgage may be taken on real and personal property. Tax-exempt notes or bonds may be issued to secure direct loans, but cannot be used for guaranteed loans.

How Are Applications Made?

Applications are handled by USDA Rural Development field offices. Rural Development staff will be glad to discuss a community's needs and the services available from USDA. Field staff can provide application materials and current program information, and assist in the preparation of an application.

For More Information

Rural Development field office locations are generally listed in local telephone directories under the heading U.S. Government, Department of Agriculture.



United States Department of Agriculture
Rural Development

Joseph M. Diego

Area Director

First Hawaiian Bank Building, 400 Route 8 Suite 303
Hagatna, GU 96910-2003

Voice: (671) 472 7381 • FAX: (671) 472 7366

Email: joseph.diego@pb.usda.gov

PA 1557

Revised March 1997

Slightly revised December 2004

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To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.



United States Department of Agriculture
Rural Development
Hawaii State Office – Western Pacific Region

Business Programs 08/04

BUSINESS AND INDUSTRY GUARANTEED LOAN PROGRAM

FACT SHEET

Promoting a dynamic business environment in rural America is the goal of USDA Rural Development, Business Programs (BP). In partnership with the private sector and community-based organizations BP provide financial assistance and business planning. BP helps fund projects that create or preserve quality jobs and/or promote a clean rural environment. The financial resources of BP are often leveraged with those of other public and private credit source lenders to meet business and credit needs in under-served areas. Recipients of these programs may include individuals, corporations, partnerships, cooperatives, public bodies, nonprofit corporations, Indian tribes, and private companies. Business and Industry (B&I) guaranteed loans upgrade the economic environment making material contributions to the community. These types of loans may be made in any area outside the boundary of a city of 50,000 or more and its immediate adjacent urbanized area with population density of no more than 100 persons per square mile. Priority is given to applications for projects in open country, rural communities, and towns of 25,000 and smaller.

Assistance is provided in the form of a loan guarantee whereby the agency guarantees to reimburse the lender for principle and interest losses of up to 80 percent for guaranteed loans of \$5 million or less; up to 70 percent for loans of \$10 million or less; and up to 60 percent for loans over \$10 million. Priority is given to projects in areas of high unemployment, to projects which create or save jobs and which show a low amount of investment per job created or saved, and to projects that will employ members of displaced farm families.

WHO MAY BORROW?

Any legal entity, including individuals, public and private organizations, and Federally recognized Indian Tribal groups, may borrow.

ARE THERE OTHER REQUIREMENTS?

Borrowers and lenders must comply with Federal requirements relating to equal employment opportunity, historic site preservation, flood and mud slide protection, environmental impact, the Clear Air and Water Act, the Architectural Barriers Act, and nondiscrimination.

WHAT IS THE MAXIMUM LOAN AMOUNT THAT CAN BE GUARANTEED?

B&I loans are limited to a maximum of \$25 million.

WHAT WILL THE INTEREST RATE BE?

For guaranteed loans, the interest rate may be either fixed or variable (which must be tied to a base rate) and will be determined between the lender and the borrower and is subject to a RBS review and approval. The rates cannot change more often than quarterly per annum.

WHAT IS THE REPAYMENT SCHEDULE?

Final Maturity will not exceed:

- 30 years for land, buildings and permanent fixtures.
- 15 years for machinery or equipment, or the useful life of the machinery and equipment, whichever is less.
- 7 years for working capital. Interest will be due at least annually after the loan is closed.

WHERE CAN LOANS BE MADE?

B&I loans can be guaranteed in the 50 states, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Marianas, the Republic of Palau, the Federated States of Micronesia and the Republic of the Marshall Islands, except in cities of 50,000 or more and other adjacent urban or urbanizing areas. RBS makes the

Room 311, Federal Building, 154 Waiānuenue Avenue, Hilo, Hawaii 96720, Tel: (808) 933-8380, FAX: (808) 933-8327, TDD: (808) 933-8321
<http://www.rurdev.usda.gov>

Committed to the future of rural communities

Rural Development is an Equal Opportunity Lender, Provider, and Employer. Complaints of discrimination should be sent to USDA, Director, Office of Civil Rights, Washington, D. C. 20250-9410

"rural area" determination, and gives priority to applications for loans in open country, rural communities, and towns of 25,000 or less.

HOW MAY LOANS FUNDS BE USED?

The basic uses include developing or financing business or industry, increasing employment, and controlling or abating pollution. Within this framework, uses include, but are not limited to:

- Financing business and industrial construction, conversion, acquisition and modernization.
- Financing the purchase and development of land and easements, equipment, facilities, machinery, supplies or materials.
- Startup costs and working capital.
- Financing housing development sites.
- Financing processing and marketing facilities.
- Transportation services.
- Agricultural production when part of an integrated business also involved in the processing of agricultural products.
- Aquaculture and commercial fishing.
- Forestry and commercial nurseries.
- Tourist and recreation facilities including hotels, motels and bed and breakfast establishments.
- Education or training facilities.
- Constructing or equipping facilities for lease to private businesses engaged in commercial or industrial operations.
- Community antenna television services or facilities.
- Assistance to industries adjusting to terminated Federal agricultural programs or increased foreign competition.

WHAT PURPOSES ARE NOT ELIGIBLE?

B&I funds may not be used for certain purposes, including:

- Any project likely to result in transfer of business or employment from one area to another.
- Any project likely to cause production that exceeds demand.
- Any project involving transfer of ownership unless this will keep the business from closing, prevent the loss of jobs in an area, or provide more jobs.
- Paying a creditor more than the value of collateral.
- Guarantee or lease payment.
- Payment of loan proceeds to owners, partners, shareholders, or others who retain any ownership in the business.
- Corporations and business that are not owned and controlled by US citizens.
- Charitable institutions, Churches or church-sponsored organizations.
- Fraternal organizations.
- Lines of credit.

WHAT IS THE GUARANTEE?

A guarantee is a warranty to protect the lender, and may cover up to 80 percent of the principal advanced, including protective advances, and accrued interest. The guarantee fee is 2 percent of the principle loan amount multiplied by the percent of guarantee. It is a one-time fee paid by the lender, who may pass it on the borrower.

IS COLLATERAL REQUIRED?

Yes, collateral is required. It must be of such nature that, when considered with the integrity and the ability of the project management, the soundness of the project, and the applicant's prospective earnings, repayment of the loan will be reasonably assured. Collateral must secure the entire loan.

MUST THE APPLICANT PROVIDE EQUITY?

A minimum tangible balance sheet equity of 10 percent is required. Balance sheet of an equity of at least 20-25 percent will be required for a new business, a business without full personal or corporate guarantee, or an energy-related business.

FOR ADDITIONAL INFORMATION PLEASE CONTACT:

USDA Rural Development
Hawaii State Office
Room 311, Federal Building
154 Waiianuenue Avenue
Hilo, HI 96720

(808) 933-8312/8318/8323; 483-8600 Ext. 118

USDA Rural Development
Area II Office
First Hawaiian Bank Building, Suite 303
400 Route 8
Mongmong, Guam 96927
(671) 472-7361

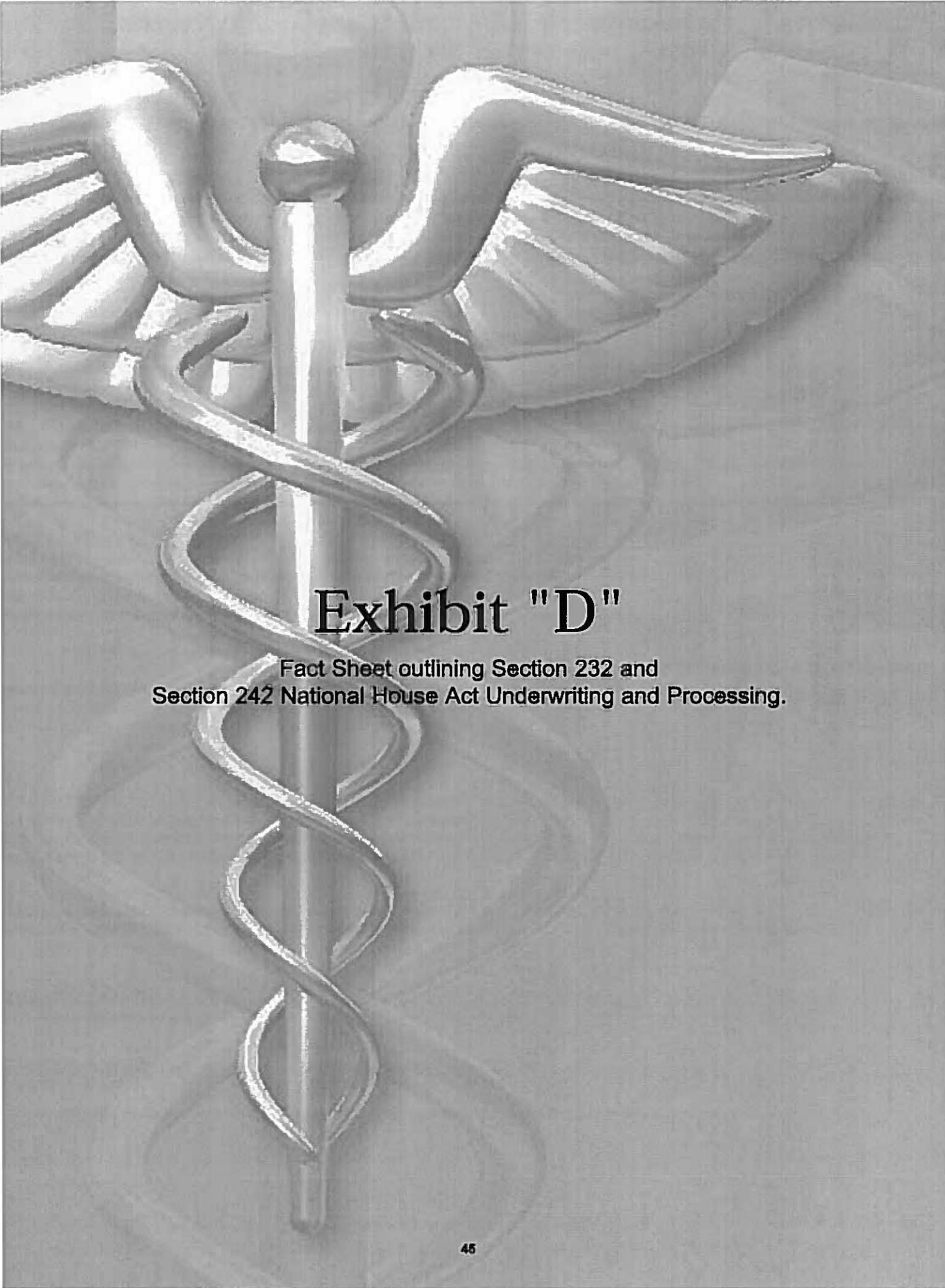


Exhibit "D"

Fact Sheet outlining Section 232 and
Section 242 National House Act Underwriting and Processing.

Section 242 of National House Act **Underwriting and Processing**

Pursuant to Section 242 of the National Housing Act of 1934 an approved FHA insured mortgage lender has been able to provide project specific loans to the Health Care Industry since 1968. Under the two major mortgage insurance programs identified as Section 232 and Section 242 of the National Housing Act, an approved lender can provide funds to construct or substantially rehabilitate, equip and maintain healthcare facilities. The Statutory authorization for these mortgage insurance programs allows an approved mortgage lender to finance these types of facilities on a very aggressive basis, with interest rate commensurate with AA or AAA credit equivalents. The greatest benefit would accrue to newly formed entities or entities/facilities that due to numerous circumstances are not able to qualify strictly on their own financial capacity. In most cases the comparable credit rating would fall below bb. If there is a clear and substantial benefit to utilizing tax-exempt bonds to fund the actual mortgage, these same programs can provide the necessary credit enhancement to obtain the lowest possible coupon rate. Under these programs no individual or personal guarantees are required, either during construction or under the permanent loan.

The processing and underwriting protocols are structured to minimize the mortgage risk being accepted by the U.S. Government, by thoroughly understanding and quantify the cost of development, services being provided, the operating budgets and the proposed management team. Under the acute care facility program the underwriting analysis is primarily a business cash flow analysis, while addressing the needs of the market place (needed services and population demand), the ability of the market place to pay for the services (Private insurance, Medicare, Medicaid, etc.) the impact on the community and other health care provider systems and the future growth of the community.

Aside from the business "end" of the analysis, the physical improvements will be analyzed to confirm that they will deliver the services being promised, be efficient to minimize operating expenses, adequate to sustain a long term presence to the community and meet the local and national building standards for hospital. The architectural review is actually conducted by Department of Health and Human Services with persons having over 20 years of experience in hospital development.

The actual process of the loan includes several bench marks that need to be met. These bench marks help minimize both the borrowers and FHA's time and cost in processing. Thus the first two stages are designed to insure an application will be accepted and that it will result in an actual commitment. The third stage of the process will begin to quantify the assumptions put forth in the first two stages, require the first set of development drawings, develop a detail development budget. At the next stage the full application package is submitted. The HUD office will begin processing and more than likely will request additional information based on their analysis and then issue their conditional commitment. The next stage is completing the conditions and then closing the transaction.

Stage and Requirements:

Stage 1. Identify the development team (architectural, contractor, management, sponsor, lender, legal and financial feasibility consultant) Prepare a preliminary narrative business plan, financing proposal, preliminary financial forecast with supporting documentation (internal or third party prepared with demographic, market utilization demand, etc.). Provide project schematic drawings. Due to the project distance photographs or video should be considered. This primary and other supporting information is gathered and submitted to the HUD office in Washington, D.C. They will review and if they feel a project is likely feasible they will invite the development team for a meeting in Washington. (I will ask because of the distance and the number of people possibly involved if they would come to Guam)

Stage II is the meeting with HUD. This meeting will focus on "gauging" the development team, the management, identifying possible areas of concern that will be needed to be addressed in the full application. They will also look to understand the community support for the project. This meeting could include local governmental representative that support the project. After this meeting (and sometimes) at the meeting an invitation will be issued to submit an application.

Stage III. All through this stage - all the documents, construction development drawing, construction pricing, entity formation, land entitlement permits are completed. For the business analysis a formal feasibility analysis prepared by an accepted consultant, validation of the financial resources and preparation of all the applicable agreements in draft form are gathered.

Stage IV. HUD will review, comment and discuss issues identified for clarification or modification. They will hire an outside consultant to reconfirm the feasibility study. The architectural development plans will be reviewed by Department of Health and Human Services. Upon completion of their review the commitment is issued. Please note if the first two stages are passed it is their stated goal to issue a commitment - provided no "show stoppers" are encountered.

Stage V. The construction documentation and construction contract are finalized, loan documents prepared and an initial (construction loan) closing scheduled.

Stage VI. Upon completion of construction and cost certification the loan is converted to a permanent loan.

Attached is an information sheet that outlines the basic loan parameters. Included in the total development budget is the value of the land (as ready to build), all onsite improvements, all construction hard costs, architectural, major medical equipment, organization and loan preparations cost, legal, loan costs and recordation, insurance, taxes, building fees and utility connection fees. The loan will be predicated on 90% of this cost of replacement.

A qualified lender should be part of the development team at the earliest possible time to assist in establishing and help creating the most efficient financial and legal structure that will be accepted by HUD.

New Construction or Substantial Rehabilitation for Hospitals
Title II Section 242
National Housing Act of 1968

The U.S. Department of Housing and Urban Development has a mortgage insurance program designed to meet the acute medical needs of a community anywhere in the United States and its Territories. This program allows those facilities with limited resources or financial limitations related to the conventional financing to obtain very favorable financing terms. In most instances medical facilities will be able to borrow at ratings equal to AA or AAA. Listed below are the features of the program.

Features

- No personal liability.
- Low fixed interest rate.
- Construction and permanent financing under the same program for the same cost.
- Up to 36 months interest only during construction term.
- Long term borrowing (25 years) structured on a fully amortizing basis.
- New construction 90% of total replacement cost to develop and equip the project.
- Rehabilitation and refinance up to 90% of replacement value with a minimum of 20% of mortgage amount attributable to rehabilitation or equipping of the facility.
- Loans to cover initial operating losses can be added to the existing mortgage two years after loan closing date.
- Fully pre-payable
- Fully assumable
- Can be used as a credit enhancement for tax exempt bonds.
- Not-for-profit entities can post letters credit during construction for equity requirements.

Funding

- Construction and Permanent must be funded by an Approved FHA Lender
- Commitment does not determine final interest rate which is set only by sale of the participation loan (or bonds) a authorized by Mortgagor.
- Not-for-profit can combine HUD, Hill-Burton Grants, HHS Guaranteed Financing, USDA and private grants. Tax Exempt Bond Credit Enhancement (A, AA or AAA) is available.

Eligibility

- Both for profit and not-for-profit are acceptable as mortgagor entities.
- Mortgagor must file annually with HUD and the FHA Lender audited project financial statements.
- Project construction is subject to Davis-Bacon Act – prevailing wage requirements.
- Letters of credit are required for various purposes during construction and fill-up.
- A Certificate of Need issued by the State or local governing body. Rural Critical Access Hospitals

are

- eligible based on designation or,
- A market feasibility study supporting proposed or the ongoing operation of the acute care facility.
- Critical Care Hospitals only need to provide a basic financial feasibility study – HUD will prepare an inhouse study.

Escrow

- Full escrows for property insurance, real estate taxes and mortgage insurance premiums are funded at closing and maintained throughout the life of the loan in a non-interest bearing accounts.
- A two year interest reserve is required and can either be funded from operation over a 10 year period or by an initial deposit. The escrow is maintained throughout the life of the loan with monthly contributions. In later years this escrow can be used for operation or replacements of depreciable items. All interest earned on the account accrues to the benefit of the mortgagor.
- An initial operating deficit escrow must be funded by mortgagor with cash or letters of credit. This reserve is used to fund operating losses until sustaining occupancy is reached.

Application Process

- Lender inspection and review of initial development proposal with market demand study and business plan. Informally establish Certificate of Need availability.
- Pre-Application meeting with HUD and HHS* Central office.
- Submit Feasibility Application to HUD and HHS Central Office.
- Upon receipt of HHS Initial Feasibility Approval submit HUD Mortgage Insurance Application.
- Design and Construction processing with HHS/HUD.
- Initial loan closing upon receipt of HUD and HHS acceptance construction contract.
- Final loan closing upon completion of construction and audited report of all costs.

*U.S. Department of Health and Human Services

For more information contact:

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Tel: (949) 759-7066
Fax: (949) 759-7041
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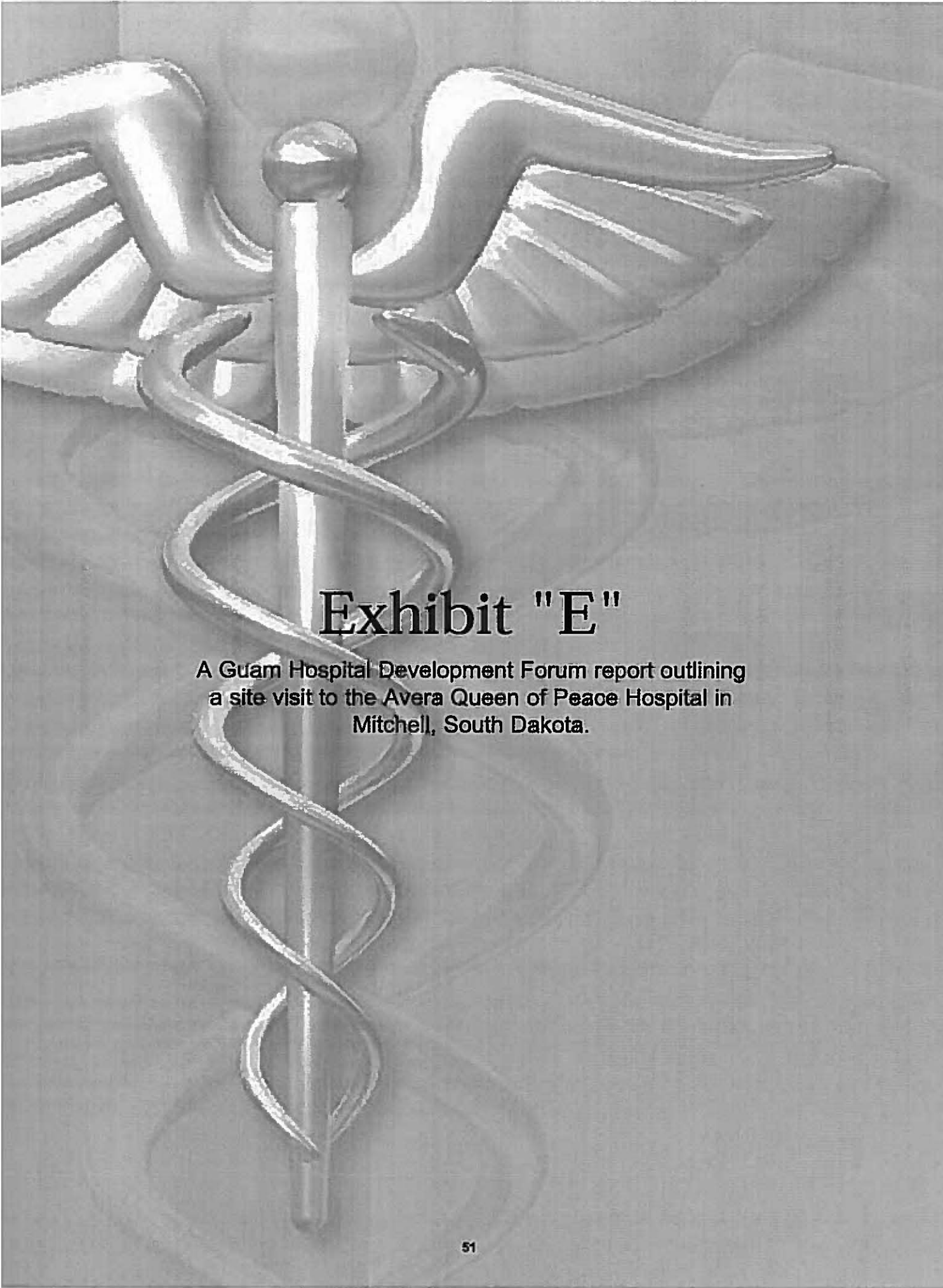


Exhibit "E"

A Guam Hospital Development Forum report outlining
a site visit to the Avera Queen of Peace Hospital in
Mitchell, South Dakota.

Avera Queen of Peace Hospital

Mitchell, South Dakota

(August 29th and 30th, 2006 Site Visit)

by

Peter R. Sgro, Jr; Chairman: Guam Hospital Development Forum

Hospital Facility Overview

The Avera Queen of Peace Hospital in Mitchell, South Dakota is a 120 bed licensed JACHO accredited hospital in the city of Mitchell, South Dakota. The population of the City of Mitchell is 15,000 with Avera being the only hospital in this small rural community. The hospital is owned by the Presentation and Benedictine Sisters, both orders of the Catholic Church. The hospital was initially built on property donated by the City of Mitchell in response to the need of better health care for the people of this community.

In addition to being a 120 bed licensed facility, the hospital maintains a Cancer Care Center, 8 surgical suites, 8 intensive care beds with video monitoring systems in each intensive care room allowing intensive care specialists in other jurisdictions to view patients and vital signs. Other departments include an Emergency Room with 2 Trauma rooms with level 3 Trauma certification, a Nuclear Medicine Department, Pain Management Clinic, Radiology Department with CT Scan and MRI and a Nutrition Center. The hospital also maintains a helicopter pad and enclosed ambulance drop off site with roll-up doors to protect patients from the elements. Part of the hospital facility includes physician offices which are leased to physicians that maintain hospital privileges.

Summary of Meetings. Construction Costs & Financing

During this visit I met Tom Rasmusson: Chief Operating Officer, Patrick Clark: Senior Vice-President & Chief Financial Officer and with several department supervisors. Rasmusson maintains over 35 years of hospital management experience and not only is responsible for the Avera Queen of Peace Hospital but also two additional smaller hospitals totaling 180 beds. For purposes of estimating construction costs for a hospital facility such as Avera, Tom Rasmusson suggested a figure of \$1,000,000 per bed which includes total architectural costs, total construction cost, total costs of fixtures and total equipment costs necessary to begin accepting patients and to meet JACHO standards. Avera Queen of Peace Hospital maintains the highest rate of return of all Avera system hospitals with a return of 4%. Generally, non-profit hospitals operate at between 0% to .5% returns. Standard and Poors rated Avera with an A+ investment grade rating. Standard, Poors and Moody's sets a standard for hospitals to maintain at least a 150 day cash reserve fund to cover all expenses. Avera exceeds this requirement by consistently maintaining a cash reserve fund of 210 days. The Break-Even point for the hospital is a 40% occupancy.

Recruitment & Retention

Being a small rural town about 65 miles away from the next largest city, Avera Queen of Peace Hospital maintains recruitment challenges since "who wants to work in the sticks of South Dakota". The hospital staff includes a full time recruiter by the name of Rise Waldera who I had the opportunity to talk to about how the hospital addresses their recruiting challenges. The recruitment process begins as early as the high school level with the hospital sponsoring "Health Career Days." High School students are also invited to the hospital for tours and given an opportunity to interact with hospital staff. As part of the hospitals budget, an active physician recruitment program involves what they refer to as a "Practice Development Program" which is offered to physicians in their final year of residency. The program is a loan program that can range between \$20,000 to \$120,000 paid out during the last year of residency. For every year the recipient of this loan remains with the hospital, 25% of the loan is forgiven. Thus, after four years of remaining with the hospital, the entire loan is forgiven. Another recruitment incentive involves a Stipend Program where a physician is projected to earn a certain amount of dollars in a given year. If for instance a new Orthopedic Surgeon is guaranteed \$400,000 in a stipend but his practice did not develop as quickly as anticipated resulting in generating \$300,000 in a stipend, the hospital will pay the physician the difference of \$100,000. When recruited physicians and their spouses visit the hospital for the first time, the hospital will "roll out the red carpet" and "wine and dine not only the physician but the physician's spouse." The hospital CEO will host dinners or cocktail parties for the recruited physician and spouse which is attended by all medical staff. Although the financial incentives are important to the recruitment process, "it is important to make them feel at home in our community and at our hospital." The hospitals full time recruiter is also responsible for keeping track of medical students in their 3rd and 4th year of medical school, knowing where they are, how they can be reached and communicating with them from time to time. Soon the recruitment process will involve tracking students as early as their 2nd year of medical school. At a cost of \$5,000 annually, the hospital recruitment office is linked on-line to a service called "Practice Link" which is a data base of physicians seeking employment opportunities. The recruitment office also utilizes the services of a company in St. Louis called "Practice Match" which provides another data base of physicians seeking employment opportunities. Both data bases provide the recruiting office with the opportunity for direct mail correspondence, e-mail correspondence and telephone conferences with prospective recruits.

Cost Effective Purchasing of Equipment

The hospital CEO said it was not enough to have a non-profit status for purposes of purchasing equipment at the lowest possible costs. He suggested that the new hospital affiliate with volume medical equipment purchasers such as a company called "Premier." He used as an example the need for one particular expensive piece of equipment but instead of the hospital purchasing the one unit, Premier will seek ten or more units for other purchasers all at the same time and thus pass on the volume purchase discount to the consumer.

Financial Performance

The hospital Chief Financial Officer provided me with the hospital's "Financial and Capital Plan Fiscal Year 2007" and reviewed various sections of the report with me. For Fiscal Year 2007 budget, note the following significant entries which indicates a hospital that maintains strong financial management practices:

Total Gross Patient Revenue	\$103,207,888	
Salaries and Wages	\$22,227,485	.(22% of Gross Revenue)
Employee Benefits	\$7,356,021	.(7% of Gross Revenue)
Bad Debts (ie. Patient refuses to pay)	\$1,032,079	.(1% of Gross Revenue)
Charity Care (ie. Patient can't pay)	\$1,548,118	.(1.567% of Gross)
OPERATING INCOME . .	\$3,839,390	(4% Margin)

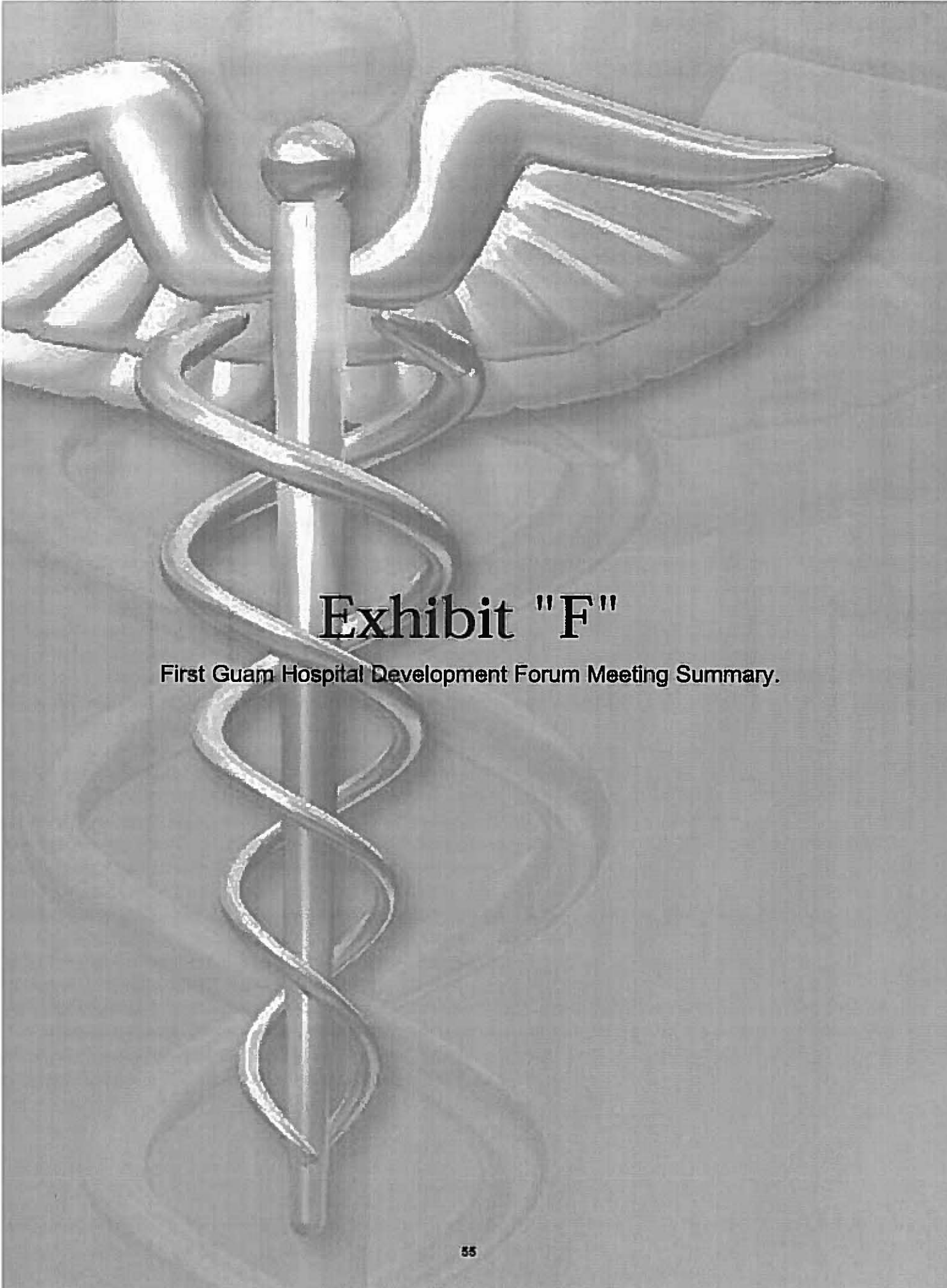


Exhibit "F"

First Guam Hospital Development Forum Meeting Summary.

Guam Hospital
Development
Forum
(First meeting)

July 2006

Prepared by:
Market Research and
Development, Inc.

Guam Hospital Development Forum Members

Chairman:

- Attorney Peter R. Sgro, Jr, President International Group, Inc.

Senior Advisers:

- Felix F. Ungacta M.D.; Orthopedic Surgeon
Avera Queen of Peace Hospital in South Dakota
- Lee Webber; Publisher Pacific Daily News

Forum Members:

- Larry Lizama M.D.; Internal Medicine
- Sied Safa M.D.; FACP Internal Medicine/ Nephrology
- Chris Perez M.D.; Family Practice
- Vince Akimoto M.D.; Family Practice
- John Ray Taitano M.D. MSS FACP; Internal Medicine
- Kia Rahmani M.D.; FACS, General Surgery
- Maria I. Saloman DNS, RN, Acting Director University of Guam Nursing Program
- Ruth Gurusamy RN, MN Administrator Health Services of the Pacific (A Medicare Certified & JCAHO Accredited Home Health Agency)
- Dave Silva; Business Development Manager
Takagi & Associates (Captive Insurance)
- Nancy Tan; First Net Insurance & President of Guam Insurance Association
- Frank Campillo; Chamber of Commerce representative &
Calvo's Insurance
- Andy Laguana, AIA Principle Laguana & Cristobal (Architects)
- Ray Gibson; Program Director - Sorensen Pacific Broadcasting
- Miguel Bordallo P.E.; Vice-President Duenas, Bordallo & Associates (Mechanical Engineer)
- Masuod Teimoury P.E.; President Masoud & Company (Civil Engineer)
- Lina Leon Guerrero; Manager - Sagua Managu
- Ian Reid; General Manager of Westin Hotel and Guam Hotel & Restaurant Association Representative
- Attorney Ceasar Cabot; Partner - Law Offices of Cabot & Matanona
- Joaquin Perez; District Director Office of Congresswoman Madeleine Z. Bordallo
- Maureen Maratita; Publisher - Glimpses Publications
- Andreas (Andy) Jordanou; Administrator,
Guam Economic Development Authority
- Joseph M. Diego; Area Director
Western Pacific Region United States Department of Agriculture

Purpose & Composition

The Guam Hospital Development Forum is a private venture whose primary purpose is the creation of a business plan, concept paper or model to support the financing and development of a Guam Medical Center.

The term "Medical Center" is not limited to the development of a hospital facility but also the integration of a research center, laboratory facilities, rehabilitation center, cardiology center, dietary consulting center, and other health related services all located within or adjacent to a new hospital facility.

The forum provides a venue for the examination of the detailed issues associated with the development of a new medical center. These issues are not limited to but include recruiting, retention, insurance, finance, quality of care, ownership and management structures, and ways by which the Guam Memorial Hospital and a new hospital facility can co-exist.

Members of the Guam Hospital Development Forum represent a cross section of the community with expertise in the various disciplines required in developing a private medical center on Guam.

The successful outcome of the forum's work will be the creation of a business plan, concept paper or model to support the financing and development of a Guam Medical Center.

Moderator of Meetings & Memorializing Meetings

Jay R. Merrill

Chairman

Market Research & Development, Inc

The exchange of information and dialogue that will occur at Forum meetings will become the foundation for a feasibility study, concept paper or model to support the financing and development of a new Guam Medical Center. To insure this exchange of information and dialogue is memorialized, all meetings will be transcribed or summarized. This accumulation of transcriptions or summaries will serve as the basis for drafting the final business plan, concept paper or model for the development of a privately-owned Guam Medical Center.

The Initial Meeting

On July 29th, the initial meeting of the forum was convened at 2pm at the Guam Hyatt hotel. The meeting lasted approximately 3 hours.

In total, 23 members participated in a brainstorming session led by MR&D. The first meeting was convened to introduce the Forum's purpose, committees, and timelines for Forum and committee findings.

The question of whether a new medical center or hospital should have public sector participation or not was the central theme of the forum's first meeting.

Additionally, the nature and work of the committees included in the forum was described and agreed to by participating members.

Overview

What is the best option for the community, a private medical center, or a public/private partnership medical center?

Private

Availability of resources

Funding

• **Advantages**

- Solicitation of Equity Ownership
- Availability of Federal Grants and loans
- Elimination of political interference
- Not subject to Compact Impact Mandates (approximately 45% of GMH ER visits are unpaid)
- Not subject to financial limitations of the General Fund of the Government of Guam
- Access to private financing
- Sufficient revenue stream to upgrade equipment

• **Disadvantages**

- Incompetent management may cause the medical center to fail.
- Undercapitalization

Recruitment of physician and nurses

• **Advantages**

- Would be able to pay more for staffing
- Access to a pool of physicians
- Creative ways of recruiting

- Financing available for recruitment
- Financial ability to recruit physicians in the last year of internship
- **Disadvantages**
 - Shortage of healthcare professionals

Demonstrable support from the community

- Support of the insurance/ MIP industry
- Creating a physician friendly environment
 - Malpractice Coverage
 - Coverage Options
 - Makes it easier for physicians to work

It provides competent nurses, equipments that I need to work on a timely basis, makes my time more efficient, lacks political interference, and it's a lot easier to make decisions."

- Will hurt the public hospital



What is the best option for the community, a private medical center, or a public/private partnership medical center?

Private Hospital +

Public/Private Partnership +

What is the Best option?

- MIP Reform
- This year, MIP is going to be funded \$6 million but will cost approximately \$18 million.
- MIP benefits are uncontrolled

"MIP is the best healthcare insurance in the world."

MIP Reform

- Requires support from the medical community
- Requires support from the local government and health and planning agencies
- Requires legislation amending current MIP laws

Ownership Structure

- For Profit
- Non-profit
 - **Advantages**
 - Reduced costs on equipment and pharmaceuticals
 - Pharmaceutical companies will offer significant breaks to non-profit
 - Certain financing available to non-profits

Guam Medical Center

Demonstrable support from the community

Support of the insurance/ MIP industry

- Creating a physician friendly environment
 - Malpractice
 - Coverage options
 - MIP Reform
- Provide a credible funding source to pay physicians, nurses, and other healthcare providers for services rendered to the indigent

Support from the medical community

Support from the local government and health planning agencies

- Qualification for Q.C. benefits
- Private medical center to co-exist with Guam Memorial Hospital
- According to the forum members:
 - The government should not have ownership of the hospital.
 - The government should not have a role in how the funds are allocated.
 - The government should not control staffing.
 - Lack of funding and political interference will always cause the demise of a hospital owned by the Government of Guam.

What is the BEST OPTION?

OPTION 1:

New hospital with an integration of specialty services into a new facility.

OPTION 2:

Privatization of Guam Memorial Hospital

22 Forum members voted for option 1 with 1 member abstaining.

Committee Chairs may include Forum members and non-Forum members to be part of a committee if such persons provide the additional background, knowledge or resources to assist in formulating your committee findings.

Committees

Medical Center Finance and Investor Relations Committee

- Co-Chaired by Attorney Peter R. Sgro, Jr. and Maureen Maratita
- Key Issues
- Objectives
 - To create various financial models that are best suited for financing the development of a new Guam Medical Center.
 - To present these financial models to the Forum for approval.
 - To utilize Forum findings to attract investors to Guam that maintain experience in Medical Center development, management and operations with the goal of convincing such investors to develop a new Guam Medical Center.

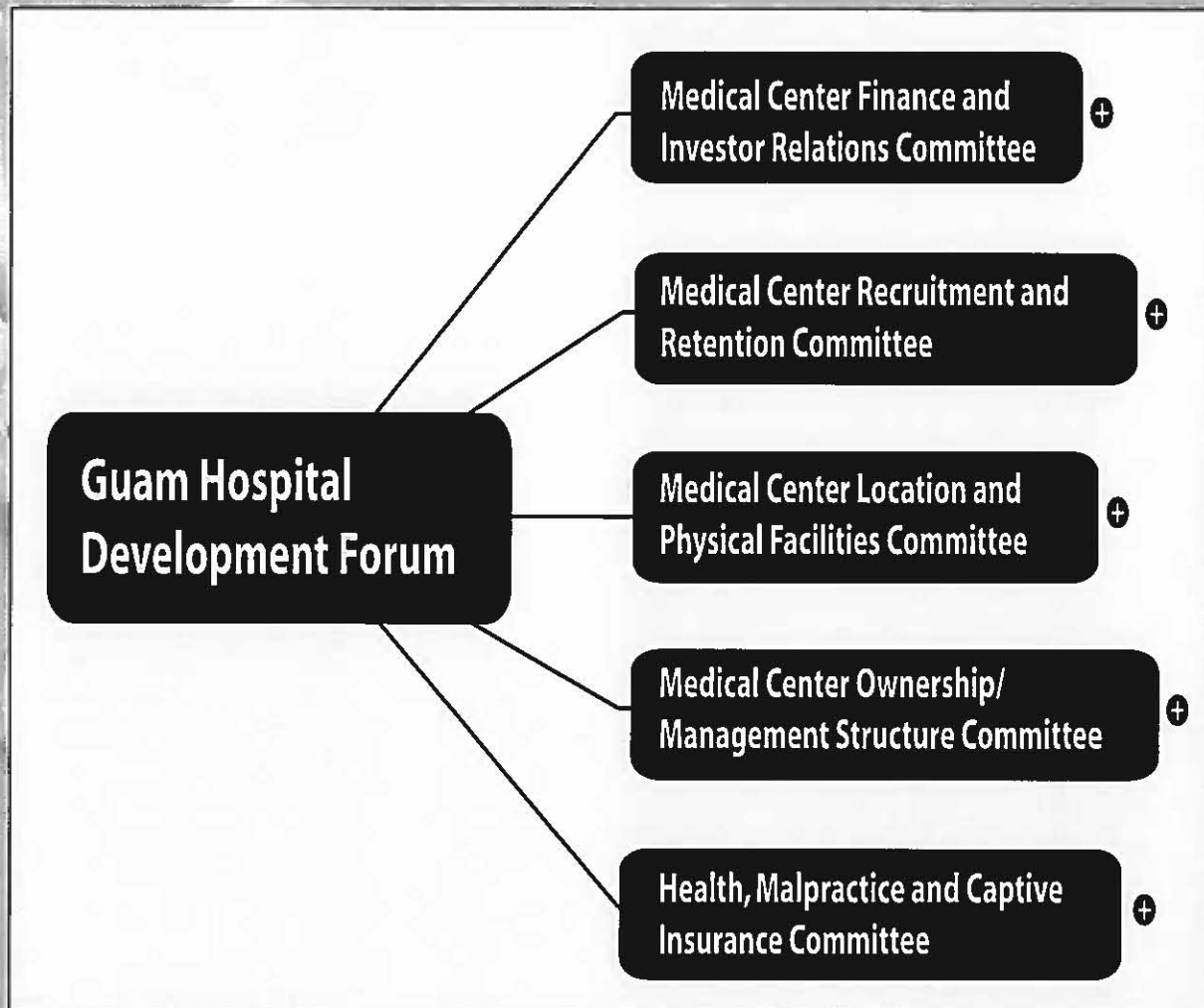
Medical Center Staffing and Recruitment Committee

- Co-Chaired by Ruth Gurusamy, RN, MN and John Ray Taitano
- Key Issues
 - How much are we going to pay them?
 - Make sure that we are marketable
- Objectives
 - To establish guidelines that foster co-existence between the existing Guam Memorial Hospital and new Guam Medical Center relative to staffing and recruitment concerns.
 - To make sure that steps are taken to avoid an exodus of Guam Memorial staff to a new Medical Center by keeping both facilities properly staffed.
 - Look at the current market on Guam
 - Look at the strategies being applied in the US

Medical Center Location and Physical Facilities Committed

- Co-Chaired by Miguel Bordallo PE and Andy Laguana AIA
- Key Issues
- Objectives
 - To determine potential locations for a Guam Medical Center while considering the need for island doctors to be able to respond to emergencies and attend to their patients at two different hospital locations.
 - To create recommendations on the size of a new Medical Center and make findings with respect to the physical lay-out of the Medical Center which will include such elements as the number and size of in-patient rooms, operating rooms, emergency room, and intensive care area.
 - To set forth requirements for such a development consistent with Guam's zoning laws.

Committees



- Consideration of Accreditation requirements
- Looking at site requirements

Medical Center Ownership/ Management Structure Committee

- Chaired by Lina Leon Guerrero
- Objectives
 - To recommend to the Forum membership an ownership and management structure for the Medical Center that results in a high standard of patient care, high standard of financial management, high standard of facilities management and high standard of staffing management.

Health, Malpractice and Captive Insurance Committee

- Co-Chaired by Dave Silva and Frank Campillo
- Key Issues

- Consideration of the Captive Insurance Laws of Guam to create financing options for the development of a new Medical Center and to provide physicians with malpractice insurance.
- Objectives
 - To address health and malpractice issues, which may impede either the development of a new Medical Center or discourage the recruitment of doctors to Guam.

Committee Meetings

Committee meetings before next forum meeting

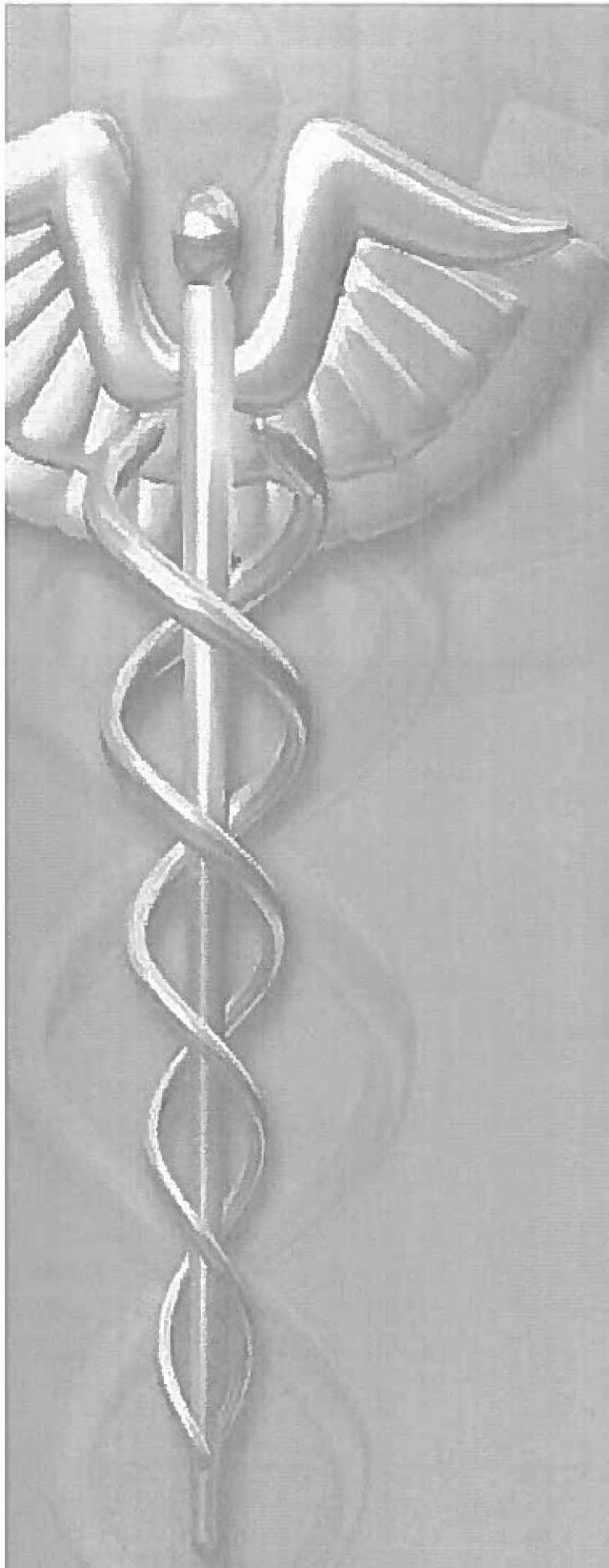
Committees can have co-chairs or any structure they desire

Committee members are not limited to forum members

Committee Meetings

Committee Meetings

- All meetings of the Forum will be conducted in accordance with an agenda for each meeting and subject to Robert's Rules of Order for purposes of approving Forum actions.
- Positive dialogue will be encouraged with open and frank discussions with a focus on achieving Forum purposes.
- Discussions will not involve criticism of any existing medical industry practices but instead involve a forward movement to establish an accredited Medical Center or hospital facility on Guam.



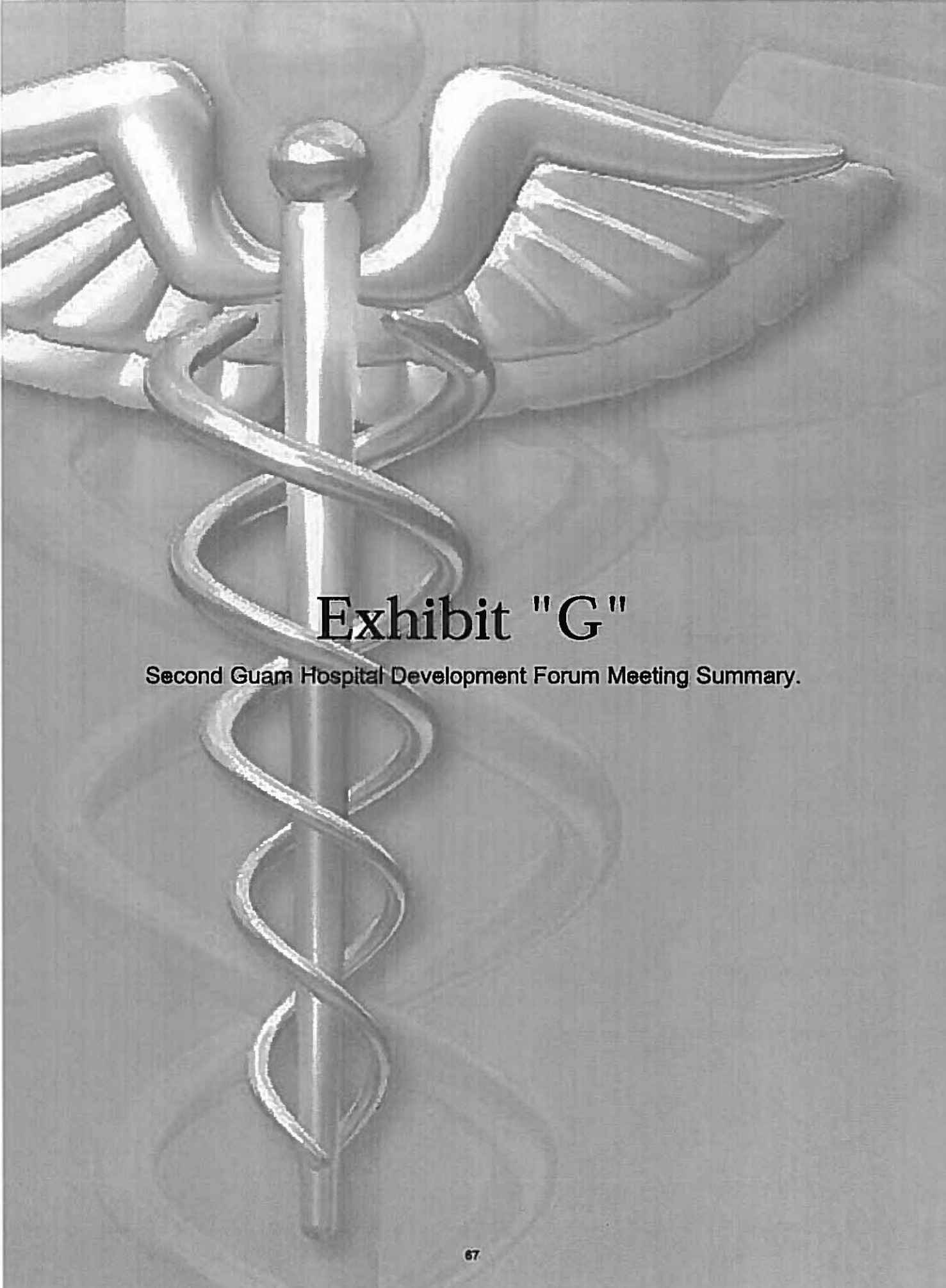


Exhibit "G"

Second Guam Hospital Development Forum Meeting Summary.

**Guam Hospital
Development
Forum
(Second Meeting)**

August 2006

**Prepared by:
Market Research and
Development, Inc.**

The Second Meeting

- On August 19, 2006, the second meeting of The Guam Hospital Development Forum ("Forum") convened at 1:30pm at the Guam Hyatt Hotel. The meeting lasted approximately 3 hours.
- In total, 23 members participated in a brainstorming session led by MR&D.

Chairman's Introductory Remarks: Attorney Sgro emphasized the need for Forum members to consider 3 basic points during committee meetings and during Forum deliberations:

- Who will own the medical center or hospital?
- How will the development be financed?
- Who is going to operate the new facility?

Overview of the first meeting

- The first meeting was convened to introduce the Forum's members, purpose, committees and timelines for Forum and committee findings.
- A decision was made regarding the best option for the development of the hospital.
 - **Option 1:** New hospital with an integration of specialty services into a new facility.
 - **Option 2:** Privatization of Guam Memorial Hospital
 - 22 Forum members voted for Option 1 with 1 member abstaining.
- Before the meeting was adjourned, a decision was made for the various Forum committees to begin meeting and to finalize their respective committee reports before the date of the second meeting.

Committee Reports

- **Medical Center Recruitment and Retention Committee Report**

- Committee Members

- Co-Chaired by Ruth Gurusamy, RN, MN and John Ray

Taitano

M.D. MSS FACP; Internal Medicine

- Members: Ian Reid; General Manager of Westin Hotel and Guam Hotel & Restaurant Association Representative and Attorney Peter Sgro, Jr., President of International Group, Inc.
- Committee provided articles for reference including "Physician Recruitment and Retention, an Issue Paper Prepared by the National Rural Health Association and "Employment in Hospitals Unconventional Patterns Over Time."

Recruitment Strategies

- It is absolutely necessary that the community as a whole become involved in the recruitment process. (NOTE: the US Department of Public Health Region 9 has designated Guam a PSA - Physician Shortage Area.)
- Local groups like the Guam Chamber of Commerce, Guam Hotel and Restaurant Association, Guam Visitors Bureau, and other local organizations must participate in the process of encouraging physicians and other professional healthcare providers to practice on Guam.
- Start recruitment process while in their 2nd or 3rd year of residency.
- Recruitment begins in the middle schools
- Recruitment process - It will take one year to process a person to come to Guam be it a physician or a physical therapist
 - Important to recruit them one year before the start of the hospital's operations
- Government Initiatives
 - Importance of local, national, and international recruitment - J1 visas (i.e. the Asia Pacific Region)
 - Identify process needed for international hiring
 - Need to work with the congresswoman's office
 - Partnership with academic system: A lot easier coming through an education system
 - There needs to be further infrastructure building of rural allied health teams and rural communities' commitment to meeting the challenges of a changing healthcare system.
 - Need for Guam Community College and University Of

Guam top management to support the Forum's purpose.

Retention Strategies

- Financial Enumeration
 - Increase the supply of primary care providers in rural areas by lessening specialty and geographic differentials in physician income.
 - Retention should be reinforced with tax credits for those who serve in acute shortage areas
- Lifestyle
 - Programs should be developed and communities urged to adopt them) for support of the physician, spouse, and children of the physician. This should include work and social opportunities for the physician's spouse.
- National Averages of Salaries per Job Category
 - The net salaries in the US may be less because we only pay one level of tax on Guam.
 - Wage index and salary prevailing wages at the bureau of labor statistics website for 2006 for each state Guam is listed valid for 5 years from US Department of Labor (breaks out Metropolitan and Rural) - www.bls.gov
 - Net income is very good when you're working on Guam
- Licensing Issues: The process to obtain professional licensing can be a deterrent and needs to be factored with the recruitment process 1 year before anticipated employment

What specialties will the medical center offer?

- Cardiology
 - Neurosurgery
 - Cancer Care
 - Gerontology
 - Cosmetic Surgery
 - Bariatric Surgery
 - Eye Lasik Surgery
 - Substance Abuse/ Rehab Center
 - Adolescents Specialties
- Part of the purpose of having a specialized medical center is to create an entity that co-exists with GMH:
 - "We don't want the GMH to fail because of this. There isn't going to be much duplication of work by providing these types

of specialties. There are things that the GMH will be doing and there are things that the specialty hospital is going to be doing. That is one reason as well for getting into these areas."

- There is also a need for Oncology and Orthopedic as specialty areas in the new hospital.
- The best investor for the overall medical center is one that already has a pool of physicians and nurses such as certain named non profit and faith based owned hospitals with national and international presence.

Medical Center Ownership and Management Committee Report

- **Committee Members**

- Chaired by Lina Leon Guerrero; Manger - Sagua Managu
- Members: Kia Rahmani M.D.; FACS, General Surgery; Attorney Peter R. Sgro, Jr; President International Group, Inc.; Chris Perez M.D.; Family Practice; Joaquin Perez; District Director Office of Congresswoman Madeleine Z. Bordallo
- The committee made 2 key recommendations
 1. The new hospital/ medical center should be a non-profit entity.
 2. Its name should reflect an affiliation with a well-known hospital or university.
 - The importance of a recognizable brand (i.e. Mayo, Loma linda, Mercy, Kaiser, Benedictine)

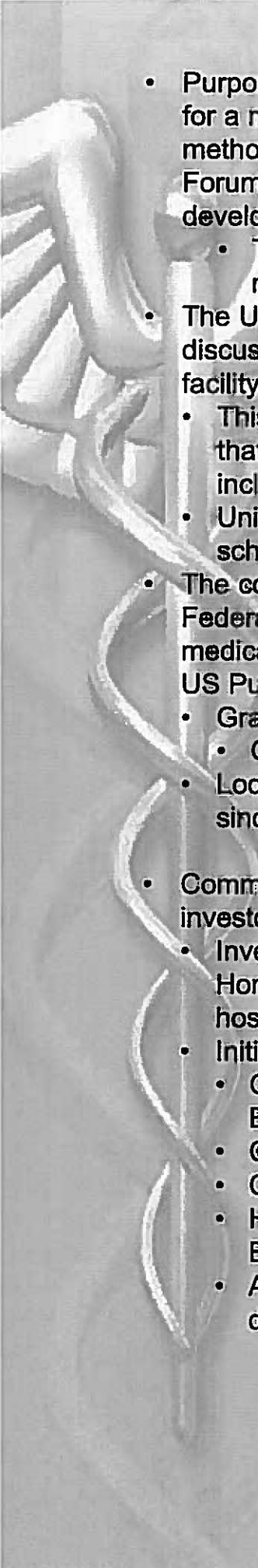
- **Ownership Recommendation**

1. Forum members decided that the new hospital would be privately owned.
2. The Committee considered the question of profit status: non-profit vs. for-profit
 - a. Non-profits have access to low interest federal funds
 - b. Non-profits are eligible for many grants that for-profit organizations are not.
 - c. Non-profits can serve needs of community, allowing for indigent care.
 - d. Non-profits may be faith based
 - e. Non-profits are eligible for lower fees for Joint Commission accreditation (JCAHO)
 - f. Primary difference is that for-profit models can make money for investors
3. The Committee recommends non-profit status

- **Patient Care Management**
 - Recruiting will be done to attract experienced people
 - Applied for JCAHO finance for hospital
- **Financial Management**
 - Integrated Billing System: Billing & collections must be systematic, effective, and well-managed.
 - Billing and collections have been a constant issue for Guam Memorial Hospital
 - Electronic Medical Records (EMR) should be used from the outset
 - *"It's going to be a requirement for everybody to have EMR by 2012."*
 - Reward competence
 - Avoid fraud/ possibility of theft
 - Reward the ability to get the job done
 - Electronic Medical Preference
- **Facilities Management**
 - Life safety systems must be built in from the start
 - Having physicians' offices associated with hospital
 - Must be open to/ embrace all physicians
 - Whether physicians decide to be physically part of the hospital or just keep their own offices and bring people there as they need to.
 - On the pharmacy side, using the PACSYS system
 - *"Takes a lot of people work out of the process."*
 - Facilitates billing system
 - Facilitates operating system
 - Facilitates radiology
 - Issue of ambulance services/ trauma service at the hospital
 - Trauma service is not in the plan right now as GMH is the designated trauma service provider
 - Our hospital should have a transportation service of its own not necessarily an ambulance service

Medical Finance and Investor Relations Committee Report

- **Committee Members:**
 - Co-Chaired by Attorney Peter R. Sgro, Jr.; President International Group, Inc. and Maureen Maratita; Publisher Glimpses Publication
 - Members: David John; President ASC, Joe Diego; Area Director-Western Pacific USDA, Joe Rivera; Comptroller Calvo Enterprises, Inc.

- 
- Purpose: Committee members recognized that the eventual investor for a medical center or hospital will more than likely have their own method of financing available to them but nevertheless felt that the Forum could provide assistance securing the financing of the development and assistance with the investment process on Guam.
 - There are certain things unique to Guam that the investors may not have experienced in their particular jurisdictions
 - The USDA Community Facilities Direct Loan Program was discussed, which is available for the construction of a health care facility or hospital
 - This direct USDA loan program is a fully amortized 40 year loan that provides up to 100% financing for certain community facilities including a medical center or hospital.
 - University used this same program for financing of the new school of business
 - The committee will continue researching the availability of other Federal lending programs and grants that may be available for a medical center or hospital based on Guam being designated by the US Public Health Region 9 as a Physician Shortage Area.
 - Grant writer from Madeleine Bordallo's office
 - Grant from HUD
 - Look at some other Federal Grant programs that may be available since Guam is a Physician Shortage Area.
 - Commencing discussions and personal meetings with potential investors
 - Investors' Conference sponsored by Department of Interior in Honolulu: Contact DOI to invite non-profit medical center or hospital developer
 - Initial contact made to
 - Group Chief Operating Officer of Bumrungrad International in Bangkok
 - CEO of Avera Queen of Peace Hospital in Mitchell, South Dakota
 - CEO of Skyridge Medical Center, a HealthONE hospital
 - Holy Cross Order in Portland, Oregon operating hospital in Eugene, Oregon
 - A managing director of the Cargill Group in Minnesota to determine the availability of equity financing.

- Glimpses sponsored a recent healthcare symposium which provided the committee with contact information to reputable Asian based hospitals
- Model for Guam hospital: The Avera Queen of Peace Hospital in Mitchell, South Dakota, a rural community with a population base of 15,000 people yet successfully operates a 120-Bed acute care JCAHO-certified regional medical center. As a small rural community, has successfully addressed the challenge of recruiting physicians.

Post Committee Actions

- a) Attorney Sgro met with President of Adventist Health Care Systems on August 8 in Manila.
- b) Attorney Sgro will meet with CEO of Avera Queen of Peace Hospital in Mitchell, South Dakota on August 30 and meet hospital management including human resources staff.
- c) Attorney Sgro will meet with CEO of Skyridge Medical Center, a HealthONE hospital on September 1 in Denver, Colorado.
- d) Contact made with a UK Group doing turn key school and hospital projects.
- e) Initial correspondence started with COO of Bumrungrad Hospital in Bangkok.
- f) Determination of Support of USDA Hawaii office for direct loan program

Programs that support Non profit/ non- government organization run facility

- Provide preferred interest rate
- Provide equipments
- Rates 4.375
- Term can go up to 40 years
- Supporting healthcare facilities
- \$2M/ year funding for the program
- Can get additional funds from Washington DC

University of Guam Relationship

- A land grant institution - How does that fact help in mutually beneficial relationship in creating more funding not only for the university but for the hospital?
- Is it in your plans to expand the nursing school and possibly a medical school?
 - *"2-3 years ago, when they announced an increase in nursing salaries, the following year, we experienced a 100% increase in students."*

- Ask Kin Perez if he could get the Library of Congress to research this: "Determine if for instance we get a non-profit private group that was going to build a facility on property that is GovGuam owned (i.e. UOG), would that make that hospital subject to the mandate of the Compact Impact?"

Location and Facilities Committee Report

- Committee Members
 - Co-Chaired by Miguel Bordallo P.E.; Vice-President Duenas, Bordallo & Associates (Mechanical Engineer) and Andy Laguana, AIA Principle Laguana & Cristobal (Architects)
 - Members: Nancy Tan; First Net Insurance & President of Guam Insurance Association
 - Attorney Peter R. Sgro, Jr; President International Group, Inc., and Jim Asher; Facilities Group
- Committee Objectives
 - Develop and submit recommendations on location based on relevant criteria and constraints
 - Develop and submit general recommendations on physical facilities and layout based on needs, accreditation requirements, and other relevant criteria and constraints

Location Issues

- Land ownership (public vs private): both options should be considered
- Population distribution: concept of population distribution was explained. Need to be sensitive to proximity for doctors/ staff
- Availability of Infrastructure (transportation, water, sewer, power)
 - Miguel Bordallo provided each Forum member with a map of the island of Guam which depicts entire island's water and waste water systems.
- Proximity to physicians, staff and employees: Mangilao and Ordot/ Chalan Pago may be as far South in order to be sensitive to physicians needing to access the new hospital and existing Guam Memorial Hospital.
 - It was noted that Mangilao has a water capacity issue.
- Rural vs Urban: Designation is important for purposes of certain Federal financing options. Currently, Dededo is a rural designation.
- Zoning: In all likelihood, possible locations would require a re-zoning through the Guam land use commission

Physical Facilities Issues

- Bed-related functions: private rooms for entire hospital facility may be new mandate since growing evidence improves quality of care and reduces errors by hospital staff.
- Outpatient-related functions
- Diagnostic and treatment functions
- Administrative functions
- Service functions: Food and supplies
- Research and teaching functions
- Size and capacity: the calculation on number of beds and total square feet of facility will be population based and rate of health issues and diseases unique to Guam.
- Standards: The facility must be built to JCAHO standards
- Committee addressed need to be sensitive to seismic zone areas and wind velocity areas for purposes of excluding certain areas on Guam.
 - The facility must be self-contained with sufficient power generation systems and water systems to support operations in the event of such disasters as typhoons.

Health and Malpractice and Captive Insurance Committee Report

- Committee Members
 - Co-Chaired by Dave Silva; Business Development Manager Takagi & Associates (Captive Insurance) and Frank Campillo; Chamber of Commerce representative & Calvo's Insurance
- Members: Brian Canda; Takagi & Associates (Captive Insurance) and Attorney Peter R. Sgro, Jr; President International Group, Inc.
- 2 options for malpractice coverage available on Guam (Hospitals carry between \$30-50M of malpractice insurance)
 - Traditional insurance policies
 - Captive insurance structure
- A risk management program will be an integral part of the hospital's development program
- The extent of the risk management program will be determined by what services the hospital will offer and the physical layout of the hospital development (i.e. nuclear medicine)
 - Defer risk management program until there is more information as to the kind of facility that may be there.
- Issue of medical malpractice
- List of type of insurance programs the hospital would be needing
- Recommendations

- Go to private market and get malpractice insurance
- The hospital can be called the center to bring together a new captive funded by this new hospital development program and bring the rest of the physician community into this captive having the hospital being the principal owner/ partner into this new captive
- Self-insured is a little too dangerous for a new facility

Discussion on Committee Reports

- Determining the nature of the ownership: What should the actual structure of the organization be? Synergy among various services?
 - We're developing a business plan or model to try to attract investment in a facility that we envision but do we necessarily have to decide one way or another in constructing the model? Can we run on parallel tracks and say that if you own an NGO, these are the challenges that you will face and these are the advantages that you will have?
 - No difference for the doctors. They provide the best care that they know how.
 - There's a patient perception in quality of healthcare
 - For profit private (i.e. Keiser): The patient, oftentimes tied in with certain HMO plans, feel that they are not being given the best care. (i.e. For profit puts limitations. The hospital will tell patients that it costs \$500 extra to provide a CT scan from 12-6am and you have to justify by filling out 2 forms so they will think twice about availing services that they would have wanted to have more often.)
 - Non profit?
 - More easier to finance a non-profit Medical Center than it is for profit
 - The community, which is needed back up the investor, is going to be more apt to support a non profit Medical Center
 - *"I don't want to be part of a new hospital if we're not going to provide indigent care."*
 - For Profit?
 - No doubt that a private entity can make money in Guam
 - Will not provide indigent care
 - Will restrict what services they will provide
 - National Average Return: 8%
 - How do you address the growing number of people without health insurance. Every year, it goes up to 12%.

FORUM MEMBERS VOTE: A motion was made and seconded with the Forum members unanimously voting in favor of a non profit ownership structure for a new medical center or hospital for the Guam community.

How do you meet the challenge of indigent care responsibilities?

- Suggestion made for Attorney Sgro to determine the percentage ratio between paid care and indigent care provided by South Dakota and Colorado Hospital during personal visits.
- Contact Association for Community Health Improvement, a member of the American Hospital Association, in San Francisco for national average figures on ratio between paid care and indigent care which supports financial viability of hospital operations.

Masoud Teimoury, P.E, stated that his firm, Masoud and Company, is under contract by the Navy to re-design the Naval Hospital electrical system which must meet strict guidelines and standards. Similar guidelines and standards will exist for a privately owned hospital.

Presentation by Dr. Chris Perez on vision of Med Zone

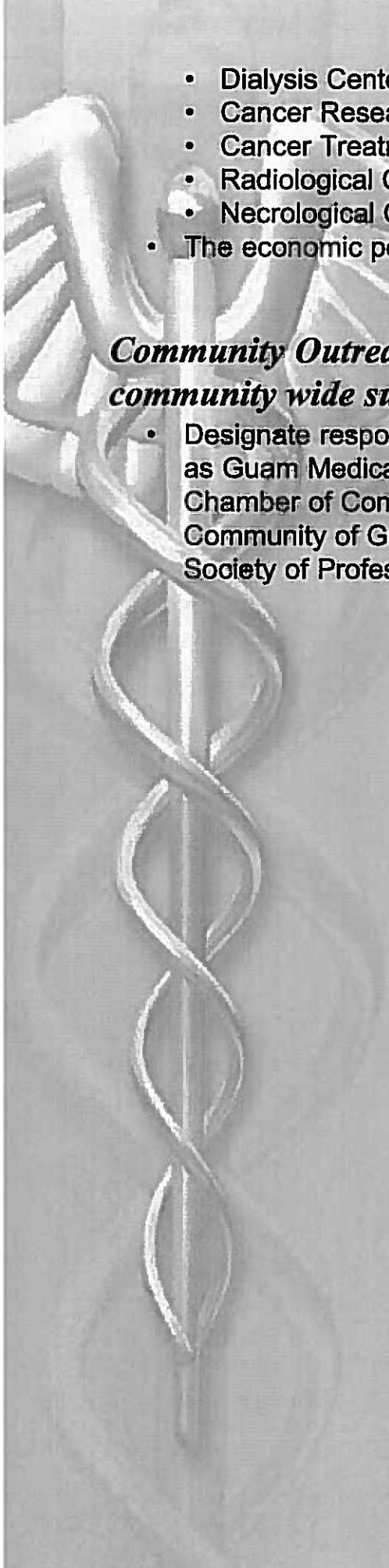
Forum discussion on medical zone concept

- Focus on hospital services
 - Part 1 : Build facilities for physicians and healthcare provider to help them start their practice. Incubation type of scenario to help doctors sustain their practice. Get to the point where they're making profits and returns.
 - Part 2: To realize that we have manpower problems.
 - Train people in the technical field: We need technologists/ technicians
 - Health Science Development
 - Guam Community College
 - University Of Guam

UOG Certificate is very valuable because it's an American Institution

Part 3: The next hospital: Whether it's private, for profit, or non profit, the island is gonna need another one.

- It could be GMH 2, bigger and better
- Determine the type of hospital services needed
- Learning Center
- Service Center

- 
- Dialysis Center
 - Cancer Research Center
 - Cancer Treatment Center
 - Radiological Center
 - Neurological Center
 - The economic population base is going to drive the hospital.

Community Outreach Program: Forum's efforts for community wide support

- Designate responsible parties for different community sectors such as Guam Medical Society, Mayor's Council of Guam, Guam Chamber of Commerce, Chinese Chamber of Commerce, Filipino Community of Guam, Chamorro Nation, Military Community, Guam Society of Professional Engineers, etc.

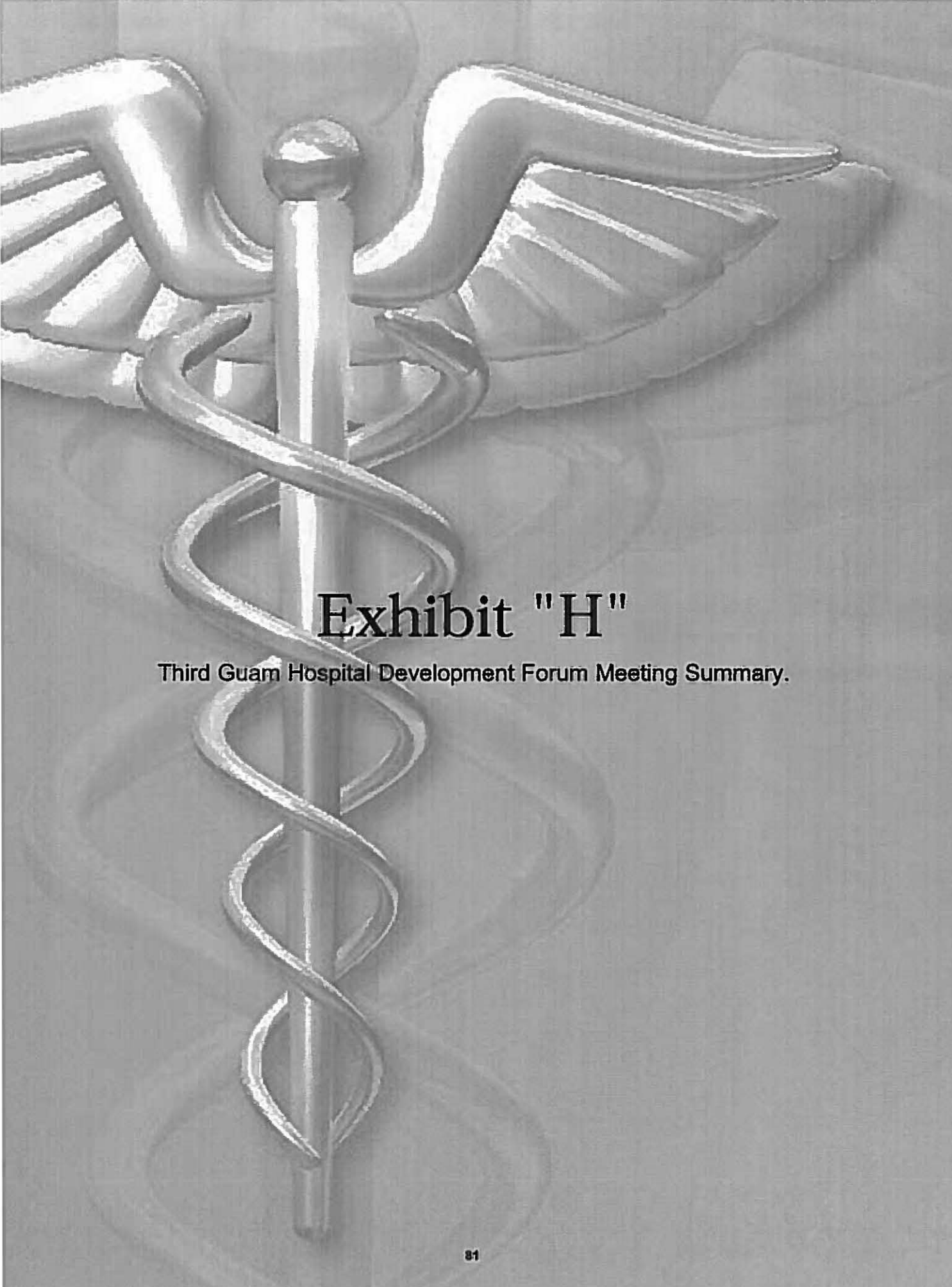


Exhibit "H"

Third Guam Hospital Development Forum Meeting Summary.

Guam Hospital
Development
Forum
(Third Meeting)

September 2006

Prepared by:
Market Research and
Development, Inc.

Agenda of Third Forum Meeting

On September 24, 2006, the third meeting of The Guam Hospital Development Forum ("Forum") convened at 2:30pm at Unnai Room in 3rd Floor of The Westin Resort, Guam. The meeting lasted approximately 3 hours.

- I. Opening Remarks & Introduction of Guests:
Peter Sgro, Jr.(5 Minutes)
- II. Overview of Second Forum Meeting:
Jay Merril(10 Minutes)
- III. Avera Queen of Peace Hospital Presentation:
Pete Sgro(5 Minutes)
 - a) Physical Plant
 - b) Cost of Construction
 - c) Financial Management
 - d) Recruitment
 - e) Reduce Equipment Acquisition Cost
 - f) Photos
 - g) Development of Guam Non-Profit Hospital:
- IV. Don Weidemann.....(60 Minutes)
- V. Question and Answer Period.....(60 Minutes)
- VI. Meeting Adjourned.....5:30pm

Summary of Second Forum Meeting

- During the second Forum meeting, Forum members discussed which private ownership structure was best suited considering some of the unique needs and characteristics of the Guam community. Significant discussion occurred relative to the establishment of a non-profit privately-owned hospital or a for-profit privately owned hospital. Forum members retained their position established during the first meeting that any new hospital development on Guam be privately owned and privately managed.
- It was determined that the private ownership structure of a new hospital would not adversely impact the ability of Guam's physician community to provide quality care.
- Forum members felt community perception would be more favorable relative to the establishment of a non profit owned and managed hospital.
- Forum members felt there was greater access to federal grants and attractive federal loan programs under the non profit ownership structure.
- Forum members felt that a non-profit ownership structure would provide a greater degree of access for indigent care.
- Despite a non-profit ownership structure, financial viability of a new hospital will require a commitment by the Government of Guam to fully fund costs associated with indigent care. In addition, appropriate federal government representatives would need to support raising the caps on Medicaid to further assist funding indigent care.
- Forum members agreed that the establishment of a new hospital on Guam would need to accept some percentage of indigent care which would still allow the new hospital to be financially viable.
- It was discussed that based on community demand, that a for-profit hospital would be able to attain the national average return of 8%.
- It was also discussed that a growing number of people in the United States mainland and Guam are unable to afford health insurance or choose not to purchase health insurance. This matter needs to be addressed cooperatively between the Government of Guam and insurance companies licensed to do business on Guam.

Action Taken by Forum Members on Hospital Ownership Structure during Second Forum Meeting

FORUM MEMBERS VOTE:

A motion was made and seconded with Forum members unanimously voting in favor of a non-profit ownership structure for a new Guam medical center or hospital.

Chairman's Opening Remarks

- Chairman Sgro and Forum member Dave Silva will attend the Department of Interior's Business Opportunities Conference on November 13th and 14th.
- Chairman Sgro is communicating with the Department of Interior's Office of Business Policy to include a Healthcare Panel during the Honolulu conference to provide a venue for the Forum to reach potential investors.
- Chairman Sgro also reported that efforts are being made for meetings with key Federal Government representatives to determine the various grants and loan programs available for the development of a private non-profit hospital on Guam.
- Chairman Sgro reported that he gave a presentation to members of the Veterans Council the week of September 17, 2006. Members of the Veterans Council voted unanimously to support the intent and purpose of the Guam Hospital Development Forum.
- As an indication of community support for the development of a privately owned hospital on Guam, letters of support for such a project have and will continue to be sought from the Guam Chamber of Commerce, the Guam Hotel and Restaurant Association, the Veterans Council, the Archdiocese of Hagatna, The Mayor's Council of Guam, individual Mayors, The Chinese Chamber of Commerce, The Filipino Community of Guam, members of Guam's healthcare community and other sectors of the Guam community.

Avera Queen of Peace Hospital Presentation by Chairman Sgro

- Guam Hospital Development Forum Chairman Peter Sgro Jr. visited Avera Queen of Peace Hospital, in Mitchell, South Dakota on August 19 and 20, 2006.
- Chairman Sgro met with Forum Senior Advisor, Dr. Felix Ungacta, an orthopedic surgeon on staff at the Avera Queen of Peace Hospital. Chairman Sgro also met Thomas Rasmusson, President and CEO of Avera Queen of Peace Hospital, as well as Patrick Clark, Senior Vice President and Chief Financial Officer of Avera Queen of Peace Hospital. While touring the hospital and each of its departments, Chairman Sgro also met with management of the hospital's various departments.
- The Avera Queen of Peace Hospital in Mitchell, South Dakota is a 120 bed licensed JCAHO accredited hospital in the city of South Dakota.
- It started its operations in the early 1900's.
- It had undergone a \$20M renovation approximately 6 years ago.
- The population of the City of Mitchell is 15,000 with Avera being the only hospital in the small rural area community.
 - The population that it could cover if surrounding vicinities are included would reach to 45,000, which is less than half of Guam's population.
- It is owned and operated by the Presentation and Benedictine sisters, both orders of the Catholic Church.
- The hospital was initially built on property donated by the City of Mitchell in response to the need for better healthcare for the people of the community.
- Its facilities include:
 - Cancer Care Center
 - 8 Surgical Suites
 - 8 Intensive Care Unit beds
 - Each has video monitoring systems in each intensive care room allowing intensive care specialists in other jurisdictions to view patients and vital signals
 - Emergency Room
 - It has 2 trauma rooms with level 3 Trauma certification
 - Nuclear Medicine Department
 - Pain Management Clinic
 - Radiology Department
 - CT Scan
 - MRI

- Sleep Disorder Clinic
 - Rehab and Stroke Center
 - Nutrition Center
 - Room for blood donations
 - Laboratory
 - Helicopter Pad
 - Ambulance drop off site with roll-up doors to protect patients from elements.
 - Computerized inventory room
 - Everything that enters the room is scanned.
 - Physician offices
 - Leased to physicians that maintain hospital privileges.
 - The office of Dr. Ungacta was shown as an example.
 - Chapel
 - Reception area at the entrance
- The hospital's CEO said it was not enough to have a non-profit status for purposes of purchasing equipment at the lowest possible costs.
 - He suggested that the new hospital affiliate with volume medical equipment purchasers such as a company called "Premier".
 - He used as an example the need for one particular expensive piece of equipment but instead of the hospital purchasing the one unit, Premier will seek ten or more units for purchasers all at the same time and thus pass on the volume purchase discounts to the consumer.

Avera Queen of Peace Financial Management

(Based on FY 2007 Budget Report)

• Total Gross Patient Revenue	\$103,207,888
• Salaries and Wages	\$22,227,485 (22% of Gross)
• Employee Benefits	\$7,356,021 (7% of Gross)
• Supplies	\$7,920,646 (8% of Gross)
• Bad Debts	\$1,032,079 (1% of Gross)
• Charity Care	\$1,548,118 (1.567%)
• OPERATING INCOME	\$3,839,390 (4% Margin)

NOTE:

Bad Debt is defined as *"Patient Able to Pay But Refuses to Pay"*.

Charity Care is defined as *"Patient Cannot Pay"*.

Estimated Hospital Construction Cost

- According to the hospital's CEO, the cost of construction amounts to approximately \$1 Million per bed, which includes all equipment, fixtures, professional costs and soft costs. This estimate includes all costs associated with taking the development to the day of beginning the acceptance of patients.

Rate of Return, S&P Rating, Cash Reserves & Break-Even

Avera Queen of Peace Hospital maintains the highest rate of return of all Avera system hospitals with a return of 4%. Generally, non-profit hospitals operate at between 0% to .5% average returns. Standard and Poors rated Avera with an A+ investment grade rating.

- Standard, Poors and Moody's sets a standard for hospitals to maintain at least a 150 day cash reserve fund to cover all expenses. Avera exceeds this requirement by consistently maintaining a cash reserve fund of 210 days.
- The Break-Even point for the hospital is a 40% occupancy.

Recruitment & Retention

- The hospital staff includes a full time recruiter.
- The recruitment process begins as early as the high school level with the hospital sponsoring "Health Career Days". High School students are also invited to the hospital for tours and given an opportunity to interact with hospital staff.
- As part of the hospital's budget, an active physician recruitment program involves what they refer to as a "Practice Development Program" which is offered to physicians in their final year of residency.
- The program is a loan program that can range between \$20,000 to \$120,000 paid out during the last year of residency. For every year the recipient of this loan remains with the hospital, 25% of the loan is forgiven. Thus, after four years of remaining with the hospital, the entire loan is forgiven.
- Another recruitment incentive involves a "Stipend Program" where a physician is projected to earn a certain amount of dollars in a given year. If for instance a new Orthopedic Surgeon is guaranteed \$400,000 in a stipend but his practice did not develop as quickly as anticipated resulting in generating \$300,000 in a stipend, the hospital will pay the physician the difference of \$100,000.

- When recruited physicians and their spouses visit the hospital for the first time, the hospital will "roll out the red carpet" and "wine and dine not only the physician but the physician's spouse". The hospital CEO will host dinners or cocktail parties for the recruited physician and spouse which is attended by the medical staff.
- The hospital's full time recruiter is also responsible for keeping track of medical students in their 3rd and 4th year of medical school, knowing where they are and how they can be reached. Next Fiscal Year, 2nd year medical students will be traced. At a cost of \$5,000 annually, the hospital recruitment office is linked on-line to a service called "Practice Link" which is a data base of physicians seeking employment opportunities. The recruitment office also utilizes the services of a company in St. Louis called "Practice Match" which is in another data base.

Conclusion by Chairman Sgro of Avera Queen of Peace Hospital Site Visit

- *"Mitchell, South Dakota, is a small rural community with a population of approximately 15,000 people with approximately 40,000 people in surrounding areas. If Mitchell, South Dakota can support this financially viable hospital, then so can Guam."*
— Chairman Sgro

Introduction of Key Note Speaker: Donald Wiedemann **Professional Background**

- February 2001-present - Adventist Health Systems/ Asia President and Healthcare Department Director, Southern Asia-Pacific Division of Seventh-day Adventists
 - Coordinates shared services and consults for 19 hospitals and major clinics throughout Southeast Asia, including Guam.
 - Shared services include malpractice and casualty insurance, professional growth, credentialing and a development fund.
 - In 2002, Don was elected the first President of Adventist Health Systems/Asia with direct managerial and financial responsibility for 10 hospitals within this health system.
 - In his first 11 months as President, system hospitals achieved returns from revenue from 3.1% to 6.3%; Days Cash on Hand from 29.2 to 45 days and a current ratio of assets to liabilities from 119% to 214%.

- August 1997-January 2001 — Administrator, Guam Seventh-day Adventist Clinic with 3 individual campuses on Guam and Palau.
 - At the end of the Fiscal Year under Don's tenure, the clinic went from a Net Loss of \$500,000 to a profit of \$1.2M after spending \$200,000 on Mission services outside the clinic by the end of the year.
 - Don reduced expenses per physician by over 20% in the medical department and increased total patient revenue by over 25%.
 - In his last full year, the clinic posted a \$3M gain on revenues of \$22M.
- 1991-1997
 - Treasurer of the Steering Committee for the Kentucky Region 8 Integrated Delivery System
 - He was responsible for developing an integrated delivery system to contract with the State of Kentucky to manage all Medicaid Medical Services, except psychiatric and long-term care services.
 - The health care system had an estimated budget of \$325M per year and covered more than 1/4 of all Medicaid lives in Kentucky.
 - Chief Operating Officer and Chief Financial Officer, (54 bed) Jellico Community Hospital, Sunbelt Adventist Health Systems, Tennessee
 - Responsible for Ambulatory Services, Cardiopulmonary, Dietary, Education, Home Health, Laboratory, Medical Records, Physical Therapy, Radiology, JCAHO Accreditation preparedness, and the Cost Reduction Task Force
 - Services Director, (103 bed) Park Ridge Hospital of the Sunbelt Adventist Health Systems, North Carolina
 - He was responsible for dietary, engineering, environmental services and risk and safety management.
- 1987 — Management Engineering Assistant Analyst and Senior Financial Analyst, Office of Planning and Budgets for the John Hopkins Hospital Office

Educational Background

- M.A. Public Health Finance and Administration, The John Hopkins University in Baltimore, Maryland
- B.A. Biology, Pacific Union College, Angwin
- B.A. Physical Science, Pacific Union College, Angwin
- M.A. in teaching Biology, Pacific Union College, Angwin

Development of Guam Non-Profit Hospital by Donald Weidemann

Why an Acute Care Center on Guam?

- There is a significant need for the Guam community
- Island significantly underbedded
- More efficient inpatient services
- Appropriate beds available as needed
- Appropriate supplies and services available when needed
- Align payor and provider incentives

Bed Need Calculation

- June 2006 study by Megan Stratman and Matthew Spellman in Oregon, Department of Economics, University of Oregon
- General Population = 2.7 Medical/ Surgical beds per 1,000 people
- Population Over 65 years old = 13 Medical/ Surgical beds per 1000 people
- Guam General Population Calculation = $146,590 \times 2.7 = 396$ beds
- Guam Population Over 65 years old = $8,215 \times 13 = 107$ beds
- Adjust for off-island care
- Adjust for high rate of diabetes + complications

Size Hospital Needed for Guam Demand

- Bed need calculation — 503+ beds
- Current number of beds — 219 (159 beds at Guam Memorial Hospital plus 60 beds at Long Term care facility in Barrigada)

Potential Guam Need - 280+ beds

Challenges to Overcome

- Have physicians direct low-cost, high-quality care
- Keeping earnings invested in the hospital to build for the future
- Raising the standard of care on island
- Physician recruitment

Business Model

- Create a not-for-profit hospital corporation
- Hire a private hospital management company
- Construct a hospital with strict cost containment guidelines
- Financing
 - Grants
 - Loans
 - Tax free bonds (currently 3%)
 - Performance bonds (5 - 10% of total financing)

Create a Not-For-Profit Corp

- Tax exempt
- Keep the capital in the hospital for future expansion and equipment upgrades
- Can "adjust" the price of services to the insurance companies to meet targets for required margins to keep hospital financially viable and able to re-invest in future hospital capital improvement projects and new equipment
- Capital appreciation — tax free (until dissolution)

Hire a Hospital Management Company

- Get "fresh blood" from off-island
- Increase recruiting contacts and expand pool of potential leaders
- Can be a neutral party to run hospital without vested interest of investors
- Easier to change a "hired hand" that isn't working than a "partner"
- Incorporate aligned incentives in compensation

Four different types of management companies

- Receives primary and secondary direct financial benefits
- Receives primary financial benefit with a secondary non financial benefit
- Receives financial benefit only
- Receives non financial benefit over the secondary benefit

What Do We Need to Get Started?

- A Champion
- Critical mass

Construct a Hospital

- Recommended size 75 - 100 beds, expandable to 250 beds
- 50 beds can reduce your "soft costs" and need for funds outside of bonds
- \$1 million per bed to construct
- \$1 million per bed annual revenue
- Equip can be as little as \$8 to \$10 million, depending on number of beds and initial services
- Industry average profit - 2%, my hospitals 8%, for profit hospitals 12+%
- Can get paid back as long or short as you want
- Construct/contract out a Physician Office Bldg on campus

Financing

- Tax-free bonds for bulk of financing (now in the 2 - 3% range)
- Performance bonds to be purchased by physicians and other key players to "align incentives"
- Additional financing for soft and start up costs

Performance Bonds Have Been around for 40 years

- Just recently used in hospitals
- Yield — 12-14% tax free at current bond rates
- Small part of total financing, sold to physicians
- Interest paid based on performance of hospital

Performance Bonds (2)

- Can use any criteria
 - Timeliness of chart completion
 - Use of critical pathways
 - Unnecessary admissions
 - Profitability or cost targets
 - Use of computerized medical record
- Can change criteria at any time (long life of bond, different needs arise)

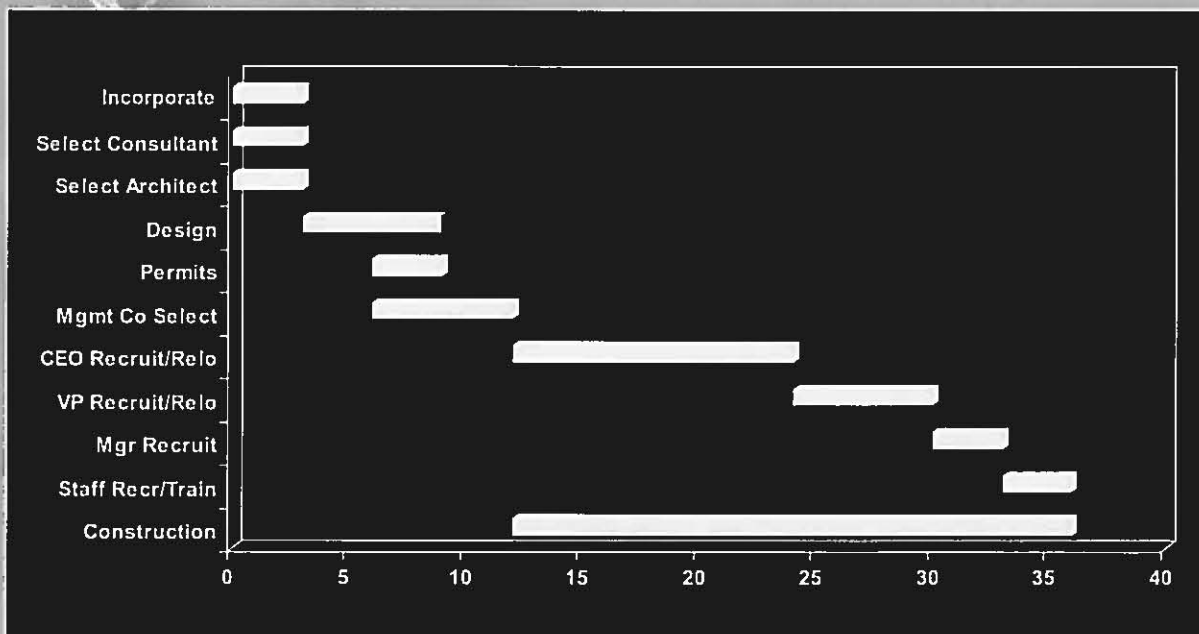
Initial Capitalization

- Can be as much or as little as desired
- The more initial capitalization, the better the bond rates, and less bond insurance you have to buy
- Probably looking at an initial pool by insurance companies of \$10 - 20 million, which can partially be in the form of a loan

Financing (75 beds)

	Land	Buildings	Major Equip	Minor Equip	Other
	\$2,000,000	\$60,000,000	\$7,000,000	\$3,000,000	\$25,000,000
Tax free Bonds	100% + 3yrs. capitalized interest	100% + 3 yrs capitalized interest	?? Maybe		
Performance Bonds			If needed	12 - 14%	If needed
HUD		98% of construction costs only			
Loans					If needed

Estimated Time Line To Open Doors



Issues to Consider

- Number of initial beds
- Medicare
- Medicaid/indigent care
- Specialty/sub-specialty services
- Class of building/services — Spartan to luxurious
- Main goals — cost reduction, quality, access, etc.
- Governance model/balance
- Hospital/physician relationship

Number of Initial Beds

- Need 50 to reach critical mass of sustainability
- Usually cheaper to build beds initially than add them on later
- Initial financing
- Cost of money now vs future
- Takes a while to build up staff
- Takes a while for orientation

Medicare

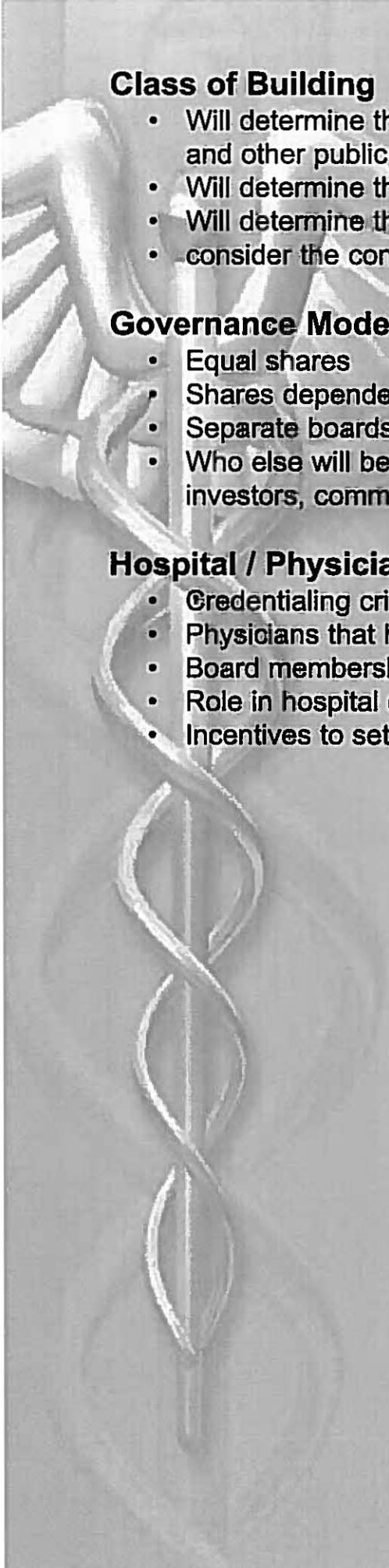
- Fortunately, a small percentage of patients on Guam
- Doesn't cover costs for most hospitals, despite the cost report
- A few hospitals will not sign up for Medicare, then can charge them their own fees for emergency services and transfer patients once stabilized (Arrowhead — a city hospital in San Bernadino, CA)

Medicaid/Indigent Care

- Need to formulate a strategy on Medicaid/indigent care
- Keep
- Stabilize and transfer
- What to do if beds are full of Medicaid patients and paying patient needs admission

Specialty/Sub-specialty Services

- Identify the services you want to provide
- Economically sustainable
- Clinically sustainable
- How they will affect volumes
- Cost
- Initial cost for equipment



Class of Building

- Will determine the total square footage, number and size of lobbies and other public spaces, trim levels, etc.
- Will determine the level of equipment and furnishings
- Will determine the room layout - private, semi-private, may even
- consider the concept of wards

Governance Model

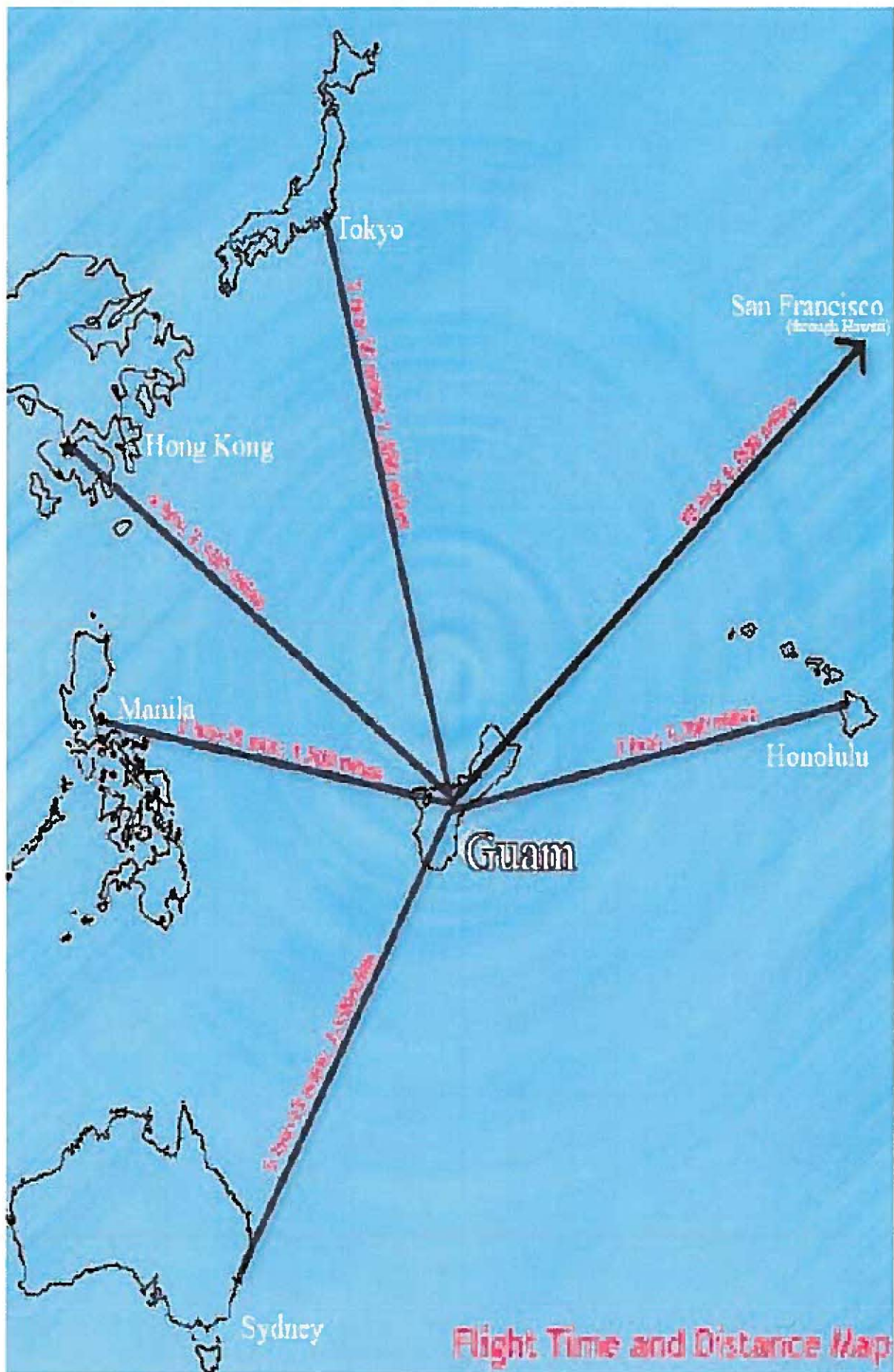
- Equal shares
- Shares dependent on investment levels
- Separate boards for a holding company and the hospital, or all one
- Who else will be invited to sit on hospital board? - doctors, investors, community members, etc.

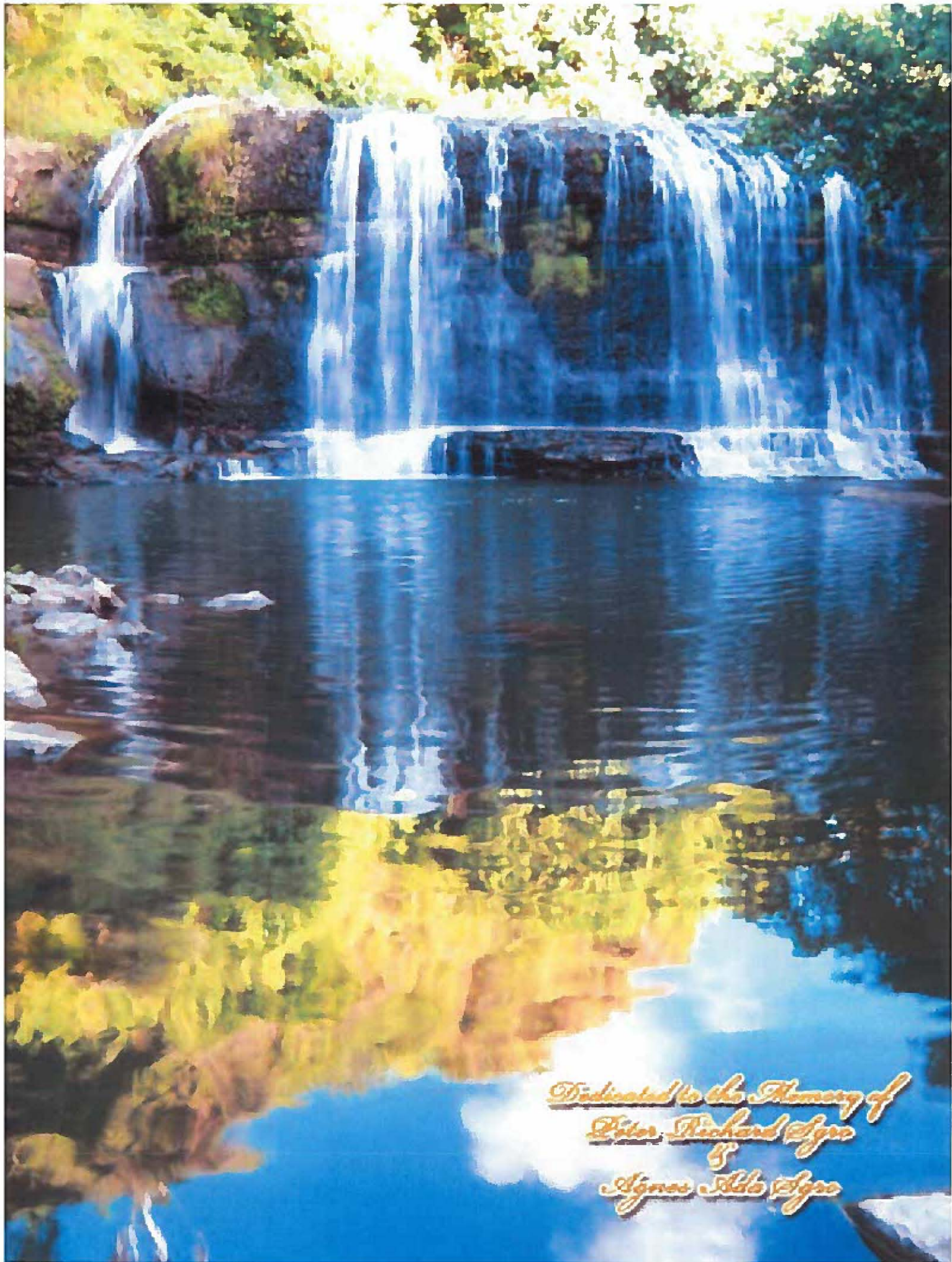
Hospital / Physician Relationship

- Credentialing criteria
- Physicians that have to make rounds at two hospitals
- Board membership for physicians
- Role in hospital operations
- Incentives to set up in performance bonds

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*Dedicated to the Memory of
Peter Richard Lyne
&
Agnes Ada Lyne*



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