LAW OFFICES
CARSON & COIL, P.C.
515 EAST HIGH
P. O. BOX 28
JEFFERSON CITY, MISSOURI 65102
(314) 636-2177
FAX NO. (314) 636-7119

April 19, 1994

United States Nuclear
Regulatory Commission
Region III
801 Warrenville Road
Lisle, IL 60532-4351

Re: Still Regional Medical Center
Materials License #: 24-12699-01

Memorial Community Hospital
Materials License #: 24-17680-02
Pacemaker License: SNM-1933

Ladies and Gentlemen:

Our firm represents Memorial Community Hospital Association of Jefferson City, Missouri, as well as Missouri Osteopathic Foundation, Inc., also located in Jefferson City, Missouri. Memorial Community Hospital Association of Jefferson City, Missouri is the owner and operator of Memorial Community Hospital. Missouri Osteopathic Foundation, Inc., is the owner and operator of Still Regional Medical Center.

Memorial Community Hospital is the holder of NRC Material License number 24-17680-02 and Pacemaker License SNM-1933 and Still Regional Medical Center is the holder of NRC Material License number 24-12699-01.

The purpose of this letter is to inform you that the corporations which are the owners and operators of the above two referenced hospitals are anticipating a corporate merger under the statutory merger laws of the State of Missouri on or about May 2, 1994. The purpose of this letter is to further provide the information set forth in NRC information notice no. 89-25 as follows:

A. Memorial Community Hospital Association of Jefferson City, Missouri, will merge with Missouri Osteopathic Foundation, Inc. The merger is a statutory merger pursuant to Chapter 355 of the Revised Statutes of Missouri, with both such corporations being not-for-profit corporations and exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. As a result of the merger the surviving corporation will be Missouri Osteopathic Foundation, Inc. The Plan of Merger will have the Missouri Osteopathic Foundation, Inc. change its name to "Memorial-Still Regional Medical Center." Articles of Merger together with the Plan of Merger are filed with the Missouri Secretary of State's office in order to legally effect the merger.

Memorial-Still Regional Medical Center (which will be the former Missouri Osteopathic Foundation, Inc.) will now be the owner and operator of both Still Regional Medical Center which is located at 1125 Madison, Jefferson City, Missouri, and Memorial Community Hospital which is located at 1432 Southwest Blvd., Jefferson City, Missouri. Both hospitals will continue under their presently existing names as they appear on the licenses, i.e., Still Regional Medical Center and Memorial Community Hospital. Both hospitals will continue to be separately licensed by the Missouri Department of Health and have separate administrators. However, both administrators will report to a common President and Senior Executive Officer who will in turn report to the Board of Directors.

B. There will be no changes in personnel named in the licenses, including any required information on personnel qualifications.

C. This item asks whether the seller would remain in business without the license. There is no "seller" in this particular situation so the question is not applicable.

D. This item asks for a clear description of the transaction. The information requested is set forth in the answer to item A above. There will not be a conveyance of assets nor is there any transfer of stock. The transaction is a statutory merger.

E. There are no immediate planned changes in the location, facilities, equipment, procedures, or personnel at either hospital location. The only change will be that in the corporate organization. The governing body will be a self perpetuating Board of Directors consisting of twelve (12) individuals. The initial Board is comprised of six (6) individuals who are formerly part of the governing body of Memorial Community Hospital Association of Jefferson City, Missouri, as well as six (6) individuals who are part of the governing body of Missouri Osteopathic Foundation, Inc.

F. There will be no changes in the use, possession, or storage of the licensed materials.

G. All surveillance items and records, including radioactive material inventory and accountability requirements will be current at the time of transfer. Calibrations on the dose calibrator for accuracy, consistency, linearity, and geometric variation are current and are within acceptable NRC guidelines. Leak tests are current and are within regulatory guidelines. All these records are available for inspection.

H. The status of the facilities will continue with both being operated as acute care hospitals. Both the surveys wipe for removable contamination and GM are current and do not demonstrate any contamination. These records are available for inspection. As a result of the merger, the merged corporate entity will be responsible for both hospitals, including liability for decontamination of both facilities. The enclosed Plan of Merger specifically contains language on the assumption of liabilities by the surviving corporation. The surviving corporation will have the financial wherewithal since it will have the assets of both entities. Copies of the most recent financial statements for both hospitals are included which show the combined financial strength of the corporation after the merger.

I. The hospitals will establish and implement the model spill procedures published in appendix J to Regulatory Guide 10.8 Revision 2 as the decontamination plan for both hospitals.

J. This asked whether the transferee and transferor agree to the change in ownership for control of the licensed material and activity. The answer is in the affirmative as suggested by the enclosed Plan of Merger document.

K. Memorial-Still Regional Medical Center, (formerly the Missouri Osteopathic Foundation, Inc.) which owns and controls Still Regional Medical Center agrees to abide by all constraints, conditions, requirements, representations and commitments identified in both existing licenses as is apparent from the language contained in the Plan of Merger.

In summary, the proposed transaction does not call for a sale of any assets nor a transfer of any assets. From a corporate organizational standpoint there will be a change in control of both hospitals as a result of the merger which will be carried out under the statutes of Missouri applicable to the merger of not-for-profit corporations.

It is the hospitals' preference that the two separate licenses continue until a further request may be made to consolidate them. The radiation safety officers are different at each institution as well as the fact that there are separate medical staffs at each institution which results in different authorized users at each institution. Once a consolidation has been made of the medical staffs then consideration will be given in the future to applying for a single unified license for both hospitals.

If you have any questions please feel free to contact the undersigned.

Sincerely,

Michael Madsen

Michael Madsen

MM:ndw

Enclosure

Audited Consolidated Financial Statements

Memorial Community Hospital

Year ended September 30, 1993
with Report of Independent Auditors

ERNST & YOUNG

Gateway One
Suite 1400
701 Market Street
St. Louis, Missouri 63101

Phone: 314 259 1000

Board of Trustees
The Memorial Community Hospital Association
of Jefferson City, Missouri

In planning and performing our audit of the consolidated financial statements of The Memorial Community Hospital Association of Jefferson City, Missouri and subsidiary for the year ended September 30, 1993, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control structure. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts, that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board of Trustees, management and others within the organization.

November 18, 1993

Ernst + Young

Memorial Community Hospital

Audited Consolidated
Financial Statements

For the year ended September 30, 1993

Contents

ERNST & YOUNG

Gateway One
Suite 1400
701 Market Street
St. Louis, Missouri 63101

Phone: 314 259 1000

Report of Independent Auditors

Board of Trustees
Memorial Community Hospital

We have audited the accompanying consolidated balance sheet of The Memorial Community Hospital Association of Jefferson City, Missouri (Memorial Community Hospital) and subsidiary as of September 30, 1993, and the related consolidated statements of revenue and expenses and changes in general fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Memorial Community Hospital and subsidiary at September 30, 1993, and the consolidated results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

November 18, 1993

Ernst + Young

Memorial Community Hospital

Consolidated Balance Sheet

September 30, 1993

Assets	
Current assets:	
Cash	$ 146,730
Assets limited as to use that are required for current liabilities	447,213
Patient accounts receivable, net of estimated uncollectibles of $520,000	3,427,786
Estimated third-party payor settlements	3,273,793
Inventories	677,334
Other current assets	271,729
Total current assets	8,244,585
Assets limited as to use:	
By Board for capital improvements	1,493,576
Under bond indenture agreement, held by trustee	1,518,516
	3,012,092
Less assets limited as to use that are required for current liabilities	447,213
	2,564,879
Property and equipment:	
Land and improvements	1,337,070
Buildings and improvements	19,396,200
Equipment	13,626,738
	34,360,008
Less accumulated depreciation and amortization	(16,290,493)
	18,069,515
Other assets	654,918
Total assets	$ 29,533,897
Liabilities and general fund balance	
Current liabilities:	
Current installments of long-term debt	$ 955,640
Accounts payable	988,578
Accrued expenses	1,545,805
Estimated third-party payor settlements	1,580,348
Total current liabilities	5,070,371
Long-term debt, less current installments	3,846,414
General fund balance	20,617,112
Total liabilities and general fund balance	$ 29,533,897

See accompanying notes.

Memorial Community Hospital

Consolidated Statement of Revenue and Expenses
and Chan[illegible] General Fund Balance

For the year ended September 30, 1993

Operating revenue:	
Net patient service revenue	$ 29,784,196
Other operating revenue	1,342,832
	31,127,028
Operating expenses:	
Employee compensation and benefits	13,713,818
Professional and contracted services	4,840,910
Supplies and other	7,739,304
Depreciation and amortization	2,318,812
Bad debts	506,104
Interest	327,137
	29,446,085
Income from operations	1,680,943
Nonoperating gains:	
Income on investments	59,182
Dividend from Mid-Missouri Medical Foundation	64,931
Other	65,585
	189,698
Revenue and gains in excess of expenses	1,870,641
Contribution to Memorial Community Hospital Foundation	(29,000)
General fund balance at beginning of year	18,775,471
General fund balance at end of year	$ 20,617,112

See accompanying notes.

Memorial Community Hospital

Consolidated Statement of Cash Flows

For the year ended September 30, 1993

Operating activities	
Revenue and gains in excess of expenses	$ 1,870,641
Adjustments to reconcile revenue and gains in excess of expenses to net cash provided by operating activities and gains:	
Depreciation and amortization	2,318,812
Provision for bad debts	506,104
Changes in operating assets and liabilities:	
Patient accounts receivable	(160,912)
Inventories and other current assets	102,937
Accounts payable and accrued expenses	172,680
Estimated third-party payor settlements	(3,010,817)
Net cash provided by operating activities and gains	1,799,445
Investing activities	
Purchase of property and equipment	(2,872,144)
Decrease in assets limited as to use	1,881,326
Decrease in other long-term assets	239,852
Contribution to Memorial Community Hospital Foundation	(29,000)
Net cash used in investing activities	(779,966)
Financing activities	
Decrease in bank overdraft	(134,278)
Proceeds from issuance of long-term debt	1,456,802
Repayments of long-term debt	(2,195,273)
Net cash used in financing activities	(872,749)
Net increase in cash	146,730
Cash at beginning of year	--
Cash at end of year	$ 146,730
Supplemental disclosures of cash flow information – cash paid during the year for interest on long-term debt, net of amounts capitalized	$ 366,818

See accompanying notes.

Memorial Community Hospital

Notes to Consolidated Financial Statements

September 30, 1993

1. Organization

The Memorial Community Hospital Association of Jefferson City, Missouri (Memorial Community Hospital) owns and operates a short-term, acute care facility and medical clinics which provide medical health care services in Jefferson City, Missouri and surrounding counties.

2. Summary of Significant Accounting Policies

The following are the significant accounting policies that affect the Hospital's consolidated financial statements:

Consolidation

The consolidated financial statements include the accounts of Memorial Community Hospital and its subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Change in Year-End

The Hospital elected to change its year-end from June 30 to September 30 for reporting periods subsequent to June 30, 1992.

Net Patient Services Revenue and Patients Accounts Receivable

Net patient service revenue is reported on the accrual basis in the period in which the services are provided, at the estimated realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Hospital provided, at its standard rates, charity care of $73,406 during the year ended September 30, 1993.

2. Summary of Significant Accounting Policies (continued)

Investments

Investments acquired by purchase are stated at cost, which approximates market value. Donated investments are reported at fair market value at the date of receipt. Marketable equity securities are carried at the lower of aggregate cost or market value at the balance sheet date. Investment income on proceeds of borrowings that are held by a trustee, to the extent not capitalized, are reported as other operating revenue. Investment income from all other general fund investments is reported as nonoperating gains.

Inventories

Inventories, which consist primarily of supplies, are determined by physical count, and are stated at cost, determined principally by the first-in, first-out (FIFO) method, and are not in excess of market value.

Assets Limited as to Use

Assets limited as to use include monies set aside in certain funds under the terms of the Bond Trust Indenture relating to the Health Facilities Revenue Refunding Bonds dated March 15, 1988 and assets set aside by the Board of Trustees for future capital improvements. The Board retains control of the assets limited as to use by Board for capital improvements and may, at its discretion, subsequently use them for other purposes. The bond funds and Board designated assets are invested primarily in government securities, bonds, and money market accounts, and are stated at cost plus accrued interest which approximates market value.

Property and Equipment

Property and equipment, including assets under capital leases, are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or the term of lease. The net book value of assets under capitalized leases amount to $478,703 at September 30, 1993.

2. Summary of Significant Accounting Policies (continued)

Capitalization of Interest

Interest costs incurred during construction or development of assets intended for the Hospital's use are capitalized. Total interest capitalized was $96,770 for the year ended September 30, 1993.

Statement of Cash Flows

For purposes of the statement of cash flows, cash is defined as cash and cash equivalents, excluding amounts limited as to use.

Income Taxes

The Hospital is a not-for-profit organization described in Internal Revenue Code Section 501(c)(3) and has received a determination letter from the Internal Revenue Service that it is exempt from federal income taxes on income from its related activities. The Hospital's for-profit subsidiary accrues income taxes based upon its earnings.

3. Third-Party Payments

The Hospital provides services to patients under contractual arrangements with the Medicare and Medicaid programs. Medicare payments primarily are prospective for inpatients and are based on defined costs incurred and/or prospective prices for outpatients. Medicaid payments for inpatient services are primarily based on prospectively determined per diem rates. Net patient revenue for the Medicare and Medicaid programs was approximately $15.1 million for the year ended September 30, 1993. Contractual allowances were approximately $9 million for the year ended September 30, 1993. Medicare and Medicaid receivables comprised 47 percent of the net patient accounts receivable balance at September 30, 1993.

3. Third-Party Payments (continued)

Management believes the Hospital qualifies in fiscal 1993 as a Medicare Dependent Small Rural Hospital as provided by the Omnibus Budget Reconciliation Act of 1989 and 1993 (OBRA). Accordingly, the Hospital has recorded additional reimbursement it believes is due it under these provisions of approximately $3 million in 1993.

The Hospital has entered into reimbursement agreements with certain commercial insurance carriers. The basis for reimbursement under these agreements includes prospectively determined per case and per diem rates, and discounts from established charges.

The Hospital is reimbursed for certain cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits by third-party payors. Changes in estimates related to expected settlement of prior year cost reports in fiscal 1993 increased 1993 revenue and gains in excess of expenses by $700,000. Estimates for final settlements of all cost reports which have not been audited as of September 30, 1993 have been reflected in the consolidated financial statements.

4. Long-Term Debt

Long-term debt and current installments of long-term debt at September 30, 1993 consists of the following:

Health Facilities Revenue Refunding Bonds, Series 1988, dated March 15, 1988, with $440,000 in 1994, $475,000 in 1995, and $2,300,000 in 1999, interest at 7.25% to 8.25%.	$3,215,000
Equipment Revenue Bond, Series 1991, dated December 27, 1991, payable in equal monthly installments through December 1996, interest at 6.5%, secured by equipment with a net book value of $696,000.	687,080
Notes payable secured by buildings and equipment	511,024
Capital lease obligations (less imputed interest at September 30, 1993 of $37,000), interest at 6% to 10%, secured by building and equipment.	388,950
	4,802,054
Less current installments	955,640
Long-term debt, less current installments	$3,846,414

4. Long-Term Debt (continued)

Maturities of long-term debt during each of the following fiscal years are as follows:

1994	$ 955,640
1995	903,095
1996	297,236
1997	117,485
1998	32,041
Thereafter	2,496,557
	$4,802,054

The Series 1988 Bonds are secured by substantially all property and equipment related to the Hospital's acute care facility and all other personal property specifically mortgaged or pledged after the date of the indenture. The Hospital has also pledged all right, title, and interest in and to unrestricted receivables derived from all sources, other than restricted donations, to secure the principal and interest on the bonds.

The bond agreements require creation of funds at various times to be held by a trustee for payment of bond principal and interest and for reserve funds. These funds, which are not available for general purposes, are classified as assets limited as to use under bond indenture agreement and primarily consist of United States Government obligations.

The funds classified as current represent amounts available to pay principal and interest currently due. The funds classified as noncurrent represent all other amounts set aside.

The Hospital holds an undrawn, unsecured revolving line of credit through the Central Trust Bank of $1,000,000. This line of credit bears interest at a rate equal to the Chase Manhattan Prime Rate, with the interest rate adjusted daily and expires December 15, 1993.

5. Pension Plan

The Hospital sponsors a defined contribution profit sharing plan covering all employees who meet certain requirements as defined by the Plan. The Hospital's contributions to the Plan are determined annually by the Board of Trustees. Contributions are limited to 25 percent of total compensation paid to participants during the Plan year. In addition, the Plan contains a provision for voluntary supplemental contributions by eligible employees. Pension expense was $123,847 for the year ended September 30, 1993.

6. Insurance

Effective February 1, 1991, the Hospital changed to a new commercial insurance carrier. Prior to February 1, 1991, the Hospital maintained malpractice insurance coverage for the first $1,000,000 per claim (with no aggregate limit) on a claims made basis. In addition, the Hospital had an excess liability insurance policy which provided an additional $10,000,000 of coverage per occurrence with a $10,000,000 aggregate limit. These policies were on a retrospective-rated premium basis, and premiums were accrued based on the ultimate cost of the experience to date of a group of providers. Adjustments of estimated-to-actual expense, if any, were included in the period such adjustments were determined. The policies entered into effective February 1, 1991, provide malpractice insurance coverage for the first $1,000,000 per claim (with a $3,000,000 aggregate limit) on a claims made basis. In addition, the Hospital entered into a new excess liability insurance policy effective February 1, 1991, which provides an additional $10,000,000 of coverage per occurrence with a $10,000,000 aggregate limit.

The new policies are not subject to retrospective premium adjustments. The Hospital is still subject to retrospective premium adjustments under the old policies; however, in management's opinion, any adjustments from these prior policies will not have a material adverse impact on the Hospital's financial position.

The Hospital is also covered under comprehensive general liability coverage of $1,000,000 per claim with a $3,000,000 aggregate limit.

Liabilities for incurred but not reported losses at September 30, 1993 are not determinable; however, in management's opinion, such liabilities, if any, will not have a material effect on the Hospital's financial statements. Accordingly, no provision for malpractice loss contingencies has been made in the accompanying financial statements. In management's opinion, malpractice and general liability insurance is adequate to cover losses, if any.

7. Related Party Transaction

The Memorial Community Hospital Foundation (Foundation) was formed to foster improvement in health and medical care of the people of Jefferson City, Missouri and Central Missouri by utilizing its funds and related income generally for the benefit of the

7. Related Party Transaction (continued)

Hospital. The Hospital contributed $29,000 to the Foundation during the year ended September 30, 1993. This contribution is reflected in the Consolidated Statement of Revenue and Expenses and Changes in General Fund Balances as a reduction of general fund balance.

8. Subsequent Event

On November 19, 1993, the Hospital signed a nonbinding Letter of Intent with Still Regional Medical Center and CH Allied Services, Inc. (a member of the Barnes-Jewish, Inc./Christian Health Services System) to conduct joint operations at the two hospitals. The agreement is expected to be completed by April 30, 1994.

PLAN OF MERGER

This Plan of Merger is made and entered into as of ____________________, 1994, between THE MEMORIAL COMMUNITY HOSPITAL ASSOCIATION OF JEFFERSON CITY, MISSOURI ("Memorial"), a Missouri not-for-profit corporation, and MISSOURI OSTEOPATHIC FOUNDATION, INC., (d/b/a Still Regional Medical Center) ("Still"), a Missouri not-for-profit corporation.

RECITALS

A. Memorial is the owner and operator of certain health care facilities, including the facilities known as Memorial Community Hospital located in Jefferson City, Missouri; and,

B. Still is the owner and operator of certain health care facilities, including the facilities known as Still Regional Medical Center located in Jefferson City, Missouri; and,

C. Memorial and Still desire to set forth their plan pursuant to which (a) Memorial shall be merged into Still, with Still as the surviving corporation, and (b) the surviving corporation shall be renamed as Memorial-Still Regional Medical Center.

1. **MERGER.** At the Effective Time (as specified in paragraph 8 hereof), Memorial shall be merged into Still, with Still as the surviving corporation (such merger being hereinafter referred to as the "Merger").

2. **NAME.** Upon the Merger, the name of Still, as the surviving corporation, shall be changed to Memorial-Still Regional Medical Center (herein referred to as "Memorial-Still").

3. **EFFECT OF MERGER.** The effect of the Merger shall be as provided in The General Not for Profit Corporation Law of the State of Missouri (the "Act") including, without limitation, that (a) Memorial and Still shall be a single corporation, which shall be Memorial-Still as the surviving (and renamed) corporation, (b) the separate existence of Memorial shall cease, (c) Memorial-Still shall have all the rights and privileges, immunities and powers and shall be subject to all the duties and liabilities of a corporation organized under the Act, (d) Memorial-Still shall possess all the rights, privileges, immunities and franchises of Memorial and Still, and all property and all interests of Memorial and Still shall be deemed to be transferred to and vested in Memorial-Still without further act or deed and (e) Memorial-Still shall be responsible and liable for all the liabilities and

obligations of Memorial and Still.

4. **ARTICLES OF INCORPORATION.** Upon the Merger, the Articles of Incorporation of Memorial-Still shall be as set forth in Exhibit A hereto.

5. **BYLAWS.** Upon the Merger, the Bylaws of Memorial-Still shall be and consist of the Bylaws of Still as in effect at such time.

6. **DIRECTORS.** Upon the Merger, the Directors of Memorial-Still shall be as follows:

Directors Appointed by Memorial Community Hospital Association of Jefferson City, Missouri (6)	Directors Appointed by Missouri Osteopathic Foundation, Inc. Inc. d/b/a Still Regional Medical Center (6)
Dr. Wendell Rayburn	Mr. Palmer W. Scheperle
Dr. Victoria Gunn, M.D.	Mr. James R. Loyd
Mr. Robert Robuck	Mr. Donald O. Schnieders
Dr. Jack Sanders, M.D.	Mr. John C. Vaughn
Mr. David Turner	Dr. William H. Voss, D.O.
Mr. Tom Rackers	Dr. Andrew M. Giuliani, D.O.

In the event that, prior to the Effective Time, any person herein designated as a Director of Memorial-Still is found to be unwilling or unable to serve in such capacity, the designating party reserves the right to designate a substitute for such person as a Director.

7. **ADOPTION.** This Plan of Merger shall be adopted in the following manner:

a) the Boards of Trustees of Memorial and Still shall each adopt a resolution approving this Plan of Merger and directing that it be submitted to a vote at a meeting of its Members entitled to vote thereon; and,

b) this Plan of Merger shall have been approved by receiving at least (i) two-thirds of the votes entitled to be cast by Members of Memorial present at the meeting at which such vote is taken and (ii) two-thirds of the votes cast by Members of Still present at the meeting at which such vote is taken.

8. EFFECTIVE TIME OF MERGER. Following adoption of the Plan of Merger as set forth herein, and following a determination by the proper officers of both corporations that all conditions for the Merger established by the parties' respective Boards of Trustees have been satisfied, Memorial and Still shall cause to be delivered to and filed with the Secretary of State of the State of Missouri Articles of Merger setting forth this Plan of Merger, together with such other information and items as shall be required by the Act. The Merger of Memorial into Still, with Still as the surviving corporation, shall be effective upon the issuance by the Secretary of State of a Certificate of Merger with such Articles of Merger affixed thereto (referred to herein as the Effective Time).

IN WITNESS WHEREOF, each party has caused this Plan of Merger to be executed by its duly authorized officers as of the date first written above.

THE MEMORIAL COMMUNITY HOSPITAL
ASSOCIATION OF JEFFERSON CITY, MISSOURI

(SEAL)

BY:____________________________
Name:
Title:

ATTEST:

____
Name:
Title:

MISSOURI OSTEOPATHIC FOUNDATION, INC.
(D/B/A STILL REGIONAL MEDICAL CENTER)

(SEAL)

BY:____________________________
Name:
Title:

ATTEST:

____
Name:
Title:

ARTICLES OF INCORPORATION
OF
MEMORIAL-STILL REGIONAL MEDICAL CENTER

We the undersigned:

K. J. O'Banion, D.O., 1125 Madison, Jefferson City, Missouri;
S. C. Howard, D.O., 1125 Madison, Jefferson City, Missouri;
Marshall E. Humphreys, D.O., 1125 Madison, Jefferson City, Missouri;
being natural persons of the age of eighteen years or more and citizens of the United States, for the purpose of forming a corporation under the "General Not-For-Profit Corporation Law" of the State of Missouri, do hereby adopt the following Articles of Incorporation:

ARTICLE I

The name of the corporation is: MEMORIAL-STILL REGIONAL MEDICAL CENTER.

ARTICLE II

The period of duration of the corporation is perpetual.

ARTICLE III

The address of its Registered Office in the State of Missouri is 1125 Madison, Jefferson City, Missouri 65101, and the name of its Registered Agent at said address is Ed Farnsworth.

ARTICLE IV

The number of directors constituting the Board of Directors is twelve (12), and the names and addresses of the directors are as follows:

Mr. David Turner
132 East High, P.O. Box 688
Jefferson City, MO 65102

Mr. Tom Rackers
319 Madison
Jefferson City, MO 65101

Victoria Gunn, M.D.
1505 Southwest Boulevard
Jefferson City, MO 65109

Mr. Palmer W. Scheperle
822 Boonville Road
Jefferson City, MO 65109

Mr. James R. Loyd
2027 West Edgewood Drive
Jefferson City, MO 65109

Mr. Donald O. Schnieders
1309 Fairgrounds Road
Jefferson City, MO 65109

EXHIBIT A

Jack S. Sanders, M.D.
1505 Southwest Boulevard
Jefferson City, MO 65109

Mr. John C. Vaughn
1602 Lincoln Lane
Rolla, MO 65401

Mr. Robert Robuck
238 Madison
Jefferson City, MO 65101

William H. Voss, D.O.
308 Old Gibler Road
Jefferson City, MO 65109

Dr. Wendell Rayburn
820 Chestnut
Jefferson City, MO 65101

Andrew M. Giuliani, D.O.
417 Brookwood Court
Jefferson City, MO 65109

ARTICLE V

The purpose(s) for which the corporation is organized are:

A. To establish, construct, own, support, operate, and maintain, hospitals, sanatoriums, laboratories, and clinics to afford facilities for the medical, surgical, obstetrical, hygienic, or therapeutic treatment and diagnosis of the physical and mental ills of the human being; to establish, construct, own, support, operate, maintain and conduct facilities for education and research; to aid in the institution and promotion of diagnoses, research and scientific investigation of all diseases of the human race; to establish, construct, own, support, operate, and maintain training schools, nurses' home and medical office building(s); and to provide for and carry on all the varied benevolent, charitable, humane, philanthropic, scientific and educational activities which come within the scope of such corporation.

B. The corporation shall be operated exclusively for charitable purposes and no part of the net earnings of said corporation shall inure to the benefit of any private shareholder or individual.

C. The corporation is organized exclusively for charitable, educational, or scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

To accept, hold, invest, re-invest, and administer any gifts, bequests, devises, benefits of trusts, and property of any sort, without limitation as to amount or value, and to use, disburse, or donate the income or property thereof for exclusive charitable and educational purposes;

To purchase, take, receive, lease as lessee, take by gift, devise, bequest, or otherwise acquire, and to own, hold, use and otherwise deal in and with any real or personal property, or any interest therein, situated in or out of this state, as may be necessary and proper for carrying on its legitimate affairs;

provided that the corporation may hold real estate acquired in payment of a debt, by foreclosure or otherwise, and real estate exchanged therefore, even though not necessary for carrying on its legitimate affairs;

To receive and take by gift, grant, assignment, transfer, devise or bequest, any real or personal property in trust for any charitable, educational scientific, purpose and for such other purposes as may be necessary and proper for carrying on its legitimate affairs and to execute and perform all such trusts in accordance with the terms, conditions, limitations, and restrictions thereof;

To sell, convey, mortgage, pledge, lease as lessor, and otherwise dispose of all or any part of its property and assets;

To purchase, take, receive, subscribe for, or otherwise acquire, own, hold, vote, use or employ shares or other interests in or obligations of domestic or foreign corporations, whether for profit or not for profit, associations, partnerships, or individuals; and to sell, mortgage, loan, pledge, or otherwise dispose of, such shares, interests, or obligations;

To make contracts and incur liabilities which may be appropriate to enable it to accomplish any or all of its purposes; to borrow money for its corporate purposes at such rates of interest as the corporation may determine; to issue its notes, bonds, and other obligations; and to secure any of its obligations by mortgage, pledge, or deed of trust of all or any of its property, franchise, and income;

To invest its funds from time to time in any real or personal property; to lend money for its corporate purposes; and to take and hold real and personal property as security for the payment of funds so invested or loaned;

To elect or appoint officers and agents of the corporation, and to define their duties;

To make and alter by-laws not inconsistent with its articles of incorporation or with the laws of this state, for the administration and the regulation of the affairs of the corporation;

The corporation shall have the powers to do all lawful acts necessary or desirable to carry out its purposes consistent with the provisions of Chapter 355, Revised Statutes of Missouri, as amended, and Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

In the event of dissolution or final liquidation of the corporation, the Board of Directors shall, after paying or making provisions for the payment of all lawful debts and liabilities of the corporation, distribute all the assets of the corporation to one or more of the following categories of recipients as the Board of Directors of the corporation shall determine:

(a) A non-profit organization which may have been created to succeed the corporation, as long as such organization or each of the organizations shall then qualify as a governmental unit under Section 170(c) of the Internal Revenue Code of 1986, or as an organization exempt from Federal income taxation under Section 501(a) of such code as an organization described in Section 501(c)(3) of such code, and/or

(b) A non-profit organization or organizations having similar aims and objectives as the corporation and which may be selected as an appropriate recipient of such assets as long as such organization or each of such organizations shall then qualify as a governmental unit under Section 170(c) of the Internal Revenue Code of 1986 or as an organization exempt from Federal income taxation under Section 501(a) of such code as an organization described in Section 501(c)(3) of such code.

(c) Any such assets not so disposed of shall be disposed of by the Circuit Court of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

No part of the net earnings, gains, or assets of the corporation shall inure to the benefit of or be distributed to its directors, officers, or other private individuals, or organizations organized and operated for profit except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of its purposes. No substantial part of the activities of the corporation shall be the carrying of propaganda or otherwise attempting to influence legislation, and the corporation shall be empowered to make the election authorized under Section 501(h) of the Internal Revenue Code of 1986. The corporation shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision herein, the corporation shall not carry on any activities not permitted to be carried on:

(a) By an organization exempt from Federal income taxation under Section 501(a) of the Internal Revenue Code of 1986 as an organization described in Section 501(c)(3) of such code;

(b) By an organization described in Section 509(a)(1), (2), or (3) of the Internal Revenue Code of 1986 (as the case may be); and/or

(c) By an organization, contributions to which are deductible under Sections 170(c)(2), 2055 (a)(2) or 2522(a)(2) of the Internal Revenue Code of 1986.

References herein to sections of the Internal Revenue Code of 1986 are to provisions of such code as those provisions are now enacted or to corresponding provisions to any future United States Revenue law.

ARTICLE VI

The affairs of the corporation shall be managed by its directors and there shall be no members.

Still Regional Medical Center

Accountants' Report and
Financial Statements

January 31, 1993 and 1992

Baird,
Kurtz &
Dobson
Certified Public Accountants

Baird,
Kurtz &
Dobson

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Board of Trustees
Still Regional Medical Center
Jefferson City, Missouri

As part of our audit of the financial statements of STILL REGIONAL MEDICAL CENTER for the year ended January 31, 1993, we studied and evaluated the Medical Center's internal control structure. Because the study and evaluation was only part of an overall audit plan regarding the financial statements, it was not intended to be a complete review of all your accounting procedures and, therefore, would not necessarily disclose all reportable conditions or opportunities for improvement. A reportable condition involves matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. We observed the following matters and offer these comments and suggestions. Previously we made observations as a result of our 1992 audit engagement in a letter dated March 27, 1992.

Hospital Staffing

During 1993 the Medical Center's medical/surgical nursing hours were 176,947. Based on national averages, the Medical Center's medical/surgical hours would have been 156,167. The Medical Center's average medical/surgical hours per patient day were 11.02 compared to the national average of 9.73. This resulted in the Medical Center being overstaffed by approximately 10 FTE's or 20,780 hours in the medical/ surgical area. We believe that staffing is an area management should monitor regularly to adjust staffing in relation to census.

Medicare

We recommend the Medical Center consider adding a distinct observation unit to be treated as a separate cost center. This would entail separating out all staff salaries, supplies and other expenses related to the unit. The advantage to the Medical Center would be removing space from areas reimbursed under Medicare's Prospective Payment System. Services to Medicare outpatients in the observation unit would also be cost reimbursed under current Medicare regulations.

We appreciate the opportunity to present these comments and suggestions which are intended solely for the information and use of the Board of Trustees and management. This letter does not express an opinion on the Medical Center's overall internal control structure; it does, however, include items which we believe merit your consideration. We are available to discuss these matters further at your convenience and provide any implementation assistance for changes or improvements you may require.

Baird, Kurtz & Dobson

April 2, 1993

STILL REGIONAL MEDICAL CENTER

JANUARY 31, 1993 AND 1992

CONTENTS

Baird,
Kurtz &
Dobson

Certified
Public
Accountants

INDEPENDENT ACCOUNTANTS' REPORT

Board of Trustees
Still Regional Medical Center
Jefferson City, Missouri

We have audited the accompanying balance sheets of **STILL REGIONAL MEDICAL CENTER** as of January 31, 1993 and 1992, and the related statements of revenues and expenses, changes in fund balance and cash flows for the years then ended. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of STILL REGIONAL MEDICAL CENTER at January 31, 1993 and 1992, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Baird, Kurtz & Dobson

April 2, 1993

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STILL REGIONAL MEDICAL CENTER

BALANCE SHEETS

JANUARY 31, 1993 AND 1992

ASSETS

	1993	1992
CURRENT ASSETS		
Cash	$ 715,498	$ 240,386
Assets whose use is limited required for current liabilities	989,424	1,091,722
Patient accounts receivable, less allowance for uncollectible accounts and contractual allowances; $4,100,000 - 1993, $4,900,000 - 1992	5,263,093	4,437,657
Other receivable		102,622
Estimated amounts due from Medicare *(Note 3)*	915,000	580,000
Estimated amounts due from Blue Cross *(Note 3)*	380,000	400,000
Supplies	327,538	353,918
Prepaid expenses	279,885	348,865
Total Current Assets	8,870,438	7,555,170
ASSETS WHOSE USE IS LIMITED		
By board for capital asset acquisitions		
Investments	7,744,103	7,190,936
Under bond indenture agreements, held by trustee		
Investments *(Note 6)*	4,837,080	4,825,956
Total Assets Whose Use Is Limited	12,581,183	12,016,892
Less current portion	989,424	1,091,722
Total Noncurrent Assets Whose Use is Limited	11,591,759	10,925,170
PROPERTY AND EQUIPMENT, At Cost *(Note 4)*		
Land and land improvements	1,233,765	1,217,752
Buildings	13,704,988	13,077,094
Movable equipment	13,127,394	11,123,988
Construction in progress *(Note 9)*	6,270,277	154,272
	34,336,424	25,573,106
Less accumulated depreciation	14,696,145	12,936,884
	19,640,279	12,636,222
OTHER ASSETS		
Deferred financing costs	489,153	283,325
Long-term receivables and other noncurrent assets *(Note 8)*	703,440	951,074
	1,192,593	1,234,399
	$ 41,295,069	$ 32,350,961

See Notes to Financial Statements

LIABILITIES AND FUND BALANCE

	1993	1992
CURRENT LIABILITIES		
Current maturities of long-term debt *(Note 4)*	$ 340,000	$ 772,993
Accounts payable	2,672,801	963,180
Estimated amounts due to Medicaid *(Note 3)*	15,000	55,000
Accrued payroll	303,164	223,040
Accrued vacation pay	607,535	586,194
Accrued interest	649,424	318,729
Payroll taxes and other accrued expenses	196,879	134,090
Accrued employee health insurance	300,000	325,000
Accrued pension *(Note 7)*	321,999	307,550
Total Current Liabilities	5,406,802	3,685,776
LONG-TERM DEBT *(Note 4)*	15,115,000	9,193,322
FUND BALANCE	20,773,267	19,471,863
	$ 41,295,069	$ 32,350,961

STILL REGIONAL MEDICAL CENTER

STATEMENTS OF REVENUES AND EXPENSES

YEARS ENDED JANUARY 31, 1993 AND 1992

	1993	1992
NET PATIENT SERVICE REVENUE	$ 30,990,487	$ 31,702,568
OTHER REVENUE	391,913	399,897
Total Revenue	31,382,400	32,102,465
EXPENSES		
Nursing services	6,973,971	6,936,717
Other professional services	10,778,634	10,262,590
General services	2,823,001	2,843,342
Administrative and fiscal services	6,367,653	6,220,510
Depreciation	1,759,795	1,666,133
Interest	746,711	799,966
Provision for bad debts	1,350,981	2,139,372
Total Expenses	30,800,746	30,868,630
Income from Operations	581,654	1,233,835
NONOPERATING GAINS		
Contributions	64,463	46,635
Income from investments	655,287	820,034
Nonoperating Gains	719,750	866,669
REVENUE AND GAINS IN EXCESS OF EXPENSES	$ 1,301,404	$ 2,100,504

See Notes to Financial Statements

STILL REGIONAL MEDICAL CENTER

STATEMENTS OF CHANGES IN FUND BALANCE

YEARS ENDED JANUARY 31, 1993 AND 1992

	1993	1992
BALANCE, BEGINNING OF YEAR	$ 19,471,863	$ 17,371,359
REVENUES AND GAINS IN EXCESS OF EXPENSES	1,301,404	2,100,504
BALANCE, END OF YEAR	$ 20,773,267	$ 19,471,863

See Notes to Financial Statements

STILL REGIONAL MEDICAL CENTER

STATEMENTS OF CASH FLOWS

YEARS ENDED JANUARY 31, 1993 AND 1992

	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue and gains in excess of expenses	$ 1,301,404	$ 2,100,504
Items not requiring (providing) cash:		
Depreciation and amortization	1,812,947	1,717,079
Loss (gain) on sale of assets	(720)	4,992
Changes in:		
Patient accounts receivable	(825,436)	(791,597)
Other receivable	102,622	(102,622)
Estimated third-party settlements	(355,000)	(365,000)
Supplies and prepaid expenses	95,360	(6,544)
Accounts payable	(61,496)	373,969
Other current liabilities	145,266	80,266
Net cash provided by operating activities	2,214,947	3,011,047
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash invested in assets whose use is limited, net	(564,291)	(318,139)
Collections on long-term receivables, net	47,634	58,571
Purchase of property and equipment	(6,657,122)	(1,774,149)
Proceeds from sale of property and equipment	4,239	21,048
Decrease in noncurrent assets	200,000	
Net cash used in investing activities	(6,969,540)	(2,012,669)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(1,611,315)	(757,992)
Proceeds from issuance of bonds	7,100,000	
Increase in deferred financing cost	(258,980)	
Net cash provided by (used in) financing activities	5,229,705	(757,992)
INCREASE IN CASH	475,112	240,386
CASH, BEGINNING OF YEAR	240,386	-0-
CASH, END OF YEAR	$ 715,498	$ 240,386

See Notes to Financial Statements

STILL REGIONAL MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1993 AND 1992

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Facility Name

The Medical Center is organized under the name Missouri Osteopathic Foundation doing business as Still Regional Medical Center. Prior to June 1990, the Medical Center was doing business as Charles E. Still Osteopathic Hospital.

Supplies

All supply inventories are stated at the lower of cost or market using the FIFO (first-in, first-out) method to determine cost.

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset following guidelines of the American Hospital Association.

Amortization

Deferred expenses which relate to financing costs of debt issues are amortized over the term of the issues using the effective interest method of amortization.

Charity Care

The Medical Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Charity care is not reported as revenue.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

STILL REGIONAL MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1993 AND 1992

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exemption From Income Taxes

The Medical Center is exempt from income taxes under §501(c)(3) of the Internal Revenue Code as provided by a determination letter from the Internal Revenue Service.

Interest Capitalization

Interest on borrowed funds during construction, net of earnings on unexpended debt proceeds, is a component of the cost of property additions to be allocated to future periods through the provision for depreciation. The amount of capitalized interest for 1993 was as follows:

Gross interest capitalized	$ 339,132
Less interest earned on unexpended debt proceeds	(86,690)
Net capitalized interest	$ 252,442

Assets Whose Use is Limited

Assets whose use is limited include assets set aside by the Board of Trustees, for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes and assets held by trustees under indenture agreements.

Funds held by trustee are restricted by the bond indenture to be used primarily for debt service and for a debt reserve fund. The current portion of these funds represents the amount attributable to current liabilities.

Investments

Investments which consist of U.S. government obligations and time deposits are carried at cost plus accrued interest which approximates market.

NOTE 2: CHARITY CARE

Charges excluded from revenue under the Medical Center's charity care policy were $417,108 and $162,120 for the years ended January 31, 1993 and 1992, respectively.

STILL REGIONAL MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1993 AND 1992

NOTE 3: NET PATIENT SERVICE REVENUE

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

• *Medicare* Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, home health and certain other outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare fiscal intermediary.

• *Medicaid* Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on a prospectively established per diem rate. Outpatient services are reimbursed under a combination of defined allowable cost reimbursement and fee schedule amounts. The Medical Center is reimbursed for outpatient services at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid fiscal intermediary.

• *Blue Cross* Inpatient services rendered to Blue Cross subscribers through October 31, 1991, were reimbursed based on the Medical Center's established charge structure with retroactive adjustments which provide for limitations on the Medical Center's operating margin. Services rendered to Blue Cross subscribers after October 31, 1991, are reimbursed at negotiated rates which generally provide for discounts from the Medical Center's established charge structure.

NOTE 4: LONG-TERM DEBT

At January 31, 1993 and 1992, long-term debt consisted of the following:

	1993	1992
Health Facilities Revenue Refunding Bonds *(A)*	$ 8,355,000	$ 8,625,000
Health Facilities Equipment and Capital Loan *(B)*		1,341,315
Health Facilities Revenue Bonds *(C)*	7,100,000	
	15,455,000	9,966,315
Less current maturities	340,000	772,993
	$ 15,115,000	$ 9,193,322

STILL REGIONAL MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1993 AND 1992

NOTE 4: LONG-TERM DEBT (Continued)

Annual maturities of long-term debt for the succeeding years are as follows:

1994	$ 340,000
1995	355,000
1996	380,000
1997	405,000
1998	430,000
1999 and after	13,545,000
	$ 15,455,000

(A) Revenue Refunding Bonds, Series 1987, in the original amount of $9,560,000 which bear interest at rates of 5.0% to 7.625%. The bonds are due in graduated installments to February 1, 2008.

(B) Equipment and Capital Loan Program, Series 1985, in the original amount of $3,544,990. The bonds were retired by early payoff in July 1992 with the proceeds received from the issuance of the Series 1992, Revenue Refunding Bonds (C).

(C) Revenue Bonds, Series 1992, in the original amount of $7,100,000 which bear interest at rates of 4.50% to 7.70%. The bonds are due in graduated installments from February 1, 1993 to February 1, 2013.

During March 1987, the proceeds from the $9,560,000 Health Facilities Revenue Refunding Bonds, Series 1987, provided the funds necessary to retire a bank note and refund in advance the Medical Center's debt service requirements on $3,990,000 outstanding Industrial Development Revenue Bonds, Series A, 1983. The invested proceeds, held by the Trustee in United States Government Securities, are expected to provide sufficient cash flow to meet the Medical Center's obligation on debt service on the Industrial Development Revenue Bonds, Series A, 1983. This transaction resulted in defeasance in substance as provided for in the American Institute of Certified Public Accountants' Statement of Financial Accounting Standards No. 76 and as provided for in the indenture. Accordingly, the Industrial Development Revenue Bonds, Series A, 1983, remain outstanding and are held by the trustee; however, such certificates are replaced on the Medical Center's balance sheet by the Health Facilities Revenue Refunding Bonds, Series 1987. The outstanding balance of the Industrial Development Revenue Bonds, Series A, 1983, amounted to $3,545,000 and $3,635,000 at January 31, 1993 and 1992, respectively.

STILL REGIONAL MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1993 AND 1992

NOTE 4: LONG-TERM DEBT (Continued)

The Series 1987 and 1992 bonds are secured by the real estate with all the buildings, improvements, and fixtures thereon, the furnishings, machinery and equipment related to the facility and all other personal property. The bonds are also secured by the unrestricted receivables of the institution.

Medical Center revenues are required to be deposited in specified amounts for the purpose of providing for the payment of principal and sinking fund installments and interest on the bonds. The indenture also requires annual deposits into the renewal, replacement and depreciation fund in the maximum amount of $455,000. This amount may be reduced by certain credits, including deposits into the principal fund and purchases of depreciable assets, the depreciation on which is allowable for Medicare purposes.

The Health Facilities Equipment and Capital Loan was obtained to reimburse the Medical Center for the cost of various equipment purchased and to finance the construction of a building addition. The loan was insured by the Municipal Bond Insurance Association which insured payment of regularly scheduled principal and interest payments. The loan agreement required $149,788 of the proceeds to be deposited in a trust to serve as cash collateral. The amount was not considered as outstanding for the purpose of interest calculation on the loan unless such amounts would be drawn upon. Accordingly, the deposit to the trust was recorded as a reduction of the outstanding loan balance in the accompanying financial statements at January 31, 1992. The bonds were retired by early payoff in July 1992 with proceeds received from issuance of the Series 1992 bonds.

Interest expense included in the accompanying financial statements was calculated as follows for the years ended January 31:

	1993	1992
Gross interest costs incurred	$ 1,003,138	$ 735,230
Less interest costs capitalized	(339,132)	
Amortization of financing costs	53,152	50,946
Debt trustee fees	29,553	13,790
	$ 746,711	$ 799,966

STILL REGIONAL MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1993 AND 1992

NOTE 5: LEASES - RENTAL EXPENSE

Rental expense under operating lease agreements totaled $81,977 and $78,959 for the years ended January 31, 1993 and 1992, respectively.

Future annual minimum lease payments required under noncancellable operating leases are as follows:

1994	$ 266,304
1995	266,304
1996	262,704
1997	251,904
1998	251,904
	$ 1,299,120

NOTE 6: MEDICAL MALPRACTICE COVERAGE AND CONTINGENT LIABILITIES

The Medical Center purchases medical malpractice insurance under a claims-made policy on a retrospective-ra ed premium basis. Adjustment of estimated to actual expense, if any, after the policy term i, included in the period such adjustment is determined. The Medical Center must bear the first $25,000 of costs of settling any claim. Also, the Medical Center bears risk for the portion of any individual claim which exceeded $500,000 through December 31, 1990, which exceeds $1,000,000 beginning January 1, 1992, and which exceeds $2,000,000 beginning January 1, 1993. The Medical Center accrues the expense of its share of asserted and unasserted claims occurring during the year by estimating the probable ultimate cost of any such claim. The Medical Center has accrued $150,000 and $100,000 as of January 31, 1993 and 1992, respectively,

The Medical Center is a defendant in several malpractice and other lawsuits. On October 9, 1987, the insurance company that had carried the Medical Center's professional liability coverage went into liquidation. There are currently no lawsuits against the Medical Center at January 31, 1993, claimed during the time period the Medical Center's malpractice coverage was with this insurance company. The Medical Center can resort to relief under the Missouri Insurance Guaranty Fund which was created by statute to assist claimants and defendants where the insurance coverage is lost by virtue of liquidation. Management does not believe that any settlements will be in excess of coverage under current insurance coverage and intends to vigorously contest all cases.

STILL REGIONAL MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1993 AND 1992

NOTE 7: PENSION PLAN

During the fiscal year ended January 31, 1990, the Medical Center established a defined contribution retirement plan. The defined contribution plan covers employees who have reached age 21 and completed at least one year of service. Contributions to the plan are determined each plan year by the Medical Center as a percent of eligible employees' compensation. The Medical Center makes annual plan contributions equal to pension expense accrued. Pension expense under this plan amounted to $298,342 for 1993 and $285,198 for 1992.

NOTE 8: LONG-TERM RECEIVABLES

Long-term receivables relate to student physician scholarships and physician loans. Terms of the notes issued as student physician scholarships require the physicians to join the Medical Center's staff upon completion of their education. The note is forgiven over a period of time if the physician continues on the Medical Center staff. If, however, the physician ceases to practice on the Medical Center's staff or does not join the Medical Center's staff, the unforgiven balance of the note is due and payable immediately. Physician loans are made to help physicians start or expand their practices. The loans are generally payable in annual or monthly installments including interest.

NOTE 9: CONSTRUCTION IN PROGRESS

Construction in progress at January 31, 1993, contains costs associated with renovation and construction projects on the Medical Center building. These projects are expected to be completed by November 1994 at an estimated cost of $11,000,000 including equipment. The Medical Center has issued revenue bonds in the amount of $7,100,000. These funds are being used for the above projects and to retire the Equipment and Capital Loan, Series 1985. Additional funds to complete the projects will be funded out of Board designated investments. At January 31, 1993, approximately $5,000,000 of cost has been incurred.

STILL REGIONAL MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1993 AND 1992

NOTE 10: ADDITIONAL CASH FLOW INFORMATION

	1993	1992
Noncash Investing and Financing Activities		
Purchase of property and equipment in accounts payable at January 31	$1,825,217	$54,100
Capitalized interest in accrued interest payable at January 31	$339,132	
Additional Cash Payment Information		
Interest paid (net of amount capitalized)	$755,149	$745,599

SUPPLEMENTARY INFORMATION

STILL REGIONAL MEDICAL CENTER

PATIENT ACCOUNTS RECEIVABLE

JANUARY 31, 1993 AND 1992

	1993		1992	
	Amount	Percent	Amount	Percent
PATIENT ACCOUNTS				
In hospital at January 31	$ 560,908	6.0%	$ 775,935	8.3%
Dismissed in month of:				
January	3,522,846	37.6	4,131,771	44.2
December	2,374,686	25.4	1,774,361	19.0
November	1,007,251	10.8	811,586	8.7
October	508,428	5.4	512,782	5.5
Prior to October	1,388,974	14.8	1,331,222	14.3
	9,363,093	100.0%	9,337,657	100.0%
Allowance for:				
Uncollectible accounts	(1,300,000)		(1,400,000)	
Contractuals	(2,800,000)		(3,500,000)	
	$ 5,263,093		$ 4,437,657	

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

YEARS ENDED JANUARY 31, 1993 and 1992

	1993	1992
BALANCE, BEGINNING OF YEAR	$ 1,400,000	$ 1,470,414
Add provision for the year	1,350,981	2,139,372
	2,750,981	3,609,786
Less accounts charged-off during the year, net of recoveries	1,450,981	2,209,786
BALANCE, END OF YEAR	$ 1,300,000	$ 1,400,000

STILL REGIONAL MEDICAL CENTER

PROPERTY AND EQUIPMENT

JANUARY 31, 1993

	Cost 2/1/92	Additions	Transfers	Retirements	Cost 1/31/93
ASSETS					
Land and land improvements	$ 1,217,752	$ 7,536	$ 8,477	$	$ 1,233,765
Buildings	13,077,094	166,135	461,759		13,704,988
Movable equipment	11,123,988	2,007,694	1,602	5,890	13,127,394
Construction in progress	154,272	6,587,843	(471,838)		6,270,277
	25,573,106	$ 8,769,208	$ -0-	$ 5,890	34,336,424

	Balance 2/1/92	Provision	Transfers	Reversed	Balance 1/31/93
ACCUMULATED DEPRECIATION					
Land and land improvements	310,496	$ 36,038		$	346,534
Buildings	5,867,227	567,342			6,434,569
Movable equipment	6,759,161	1,156,415		534	7,915,042
	12,936,884	$ 1,759,795		$ 534	14,696,145
UNDEPRECIATED COST	$ 12,636,222				$ 19,640,279

STILL REGIONAL MEDICAL CENTER

NET PATIENT SERVICE REVENUE

YEARS ENDED JANUARY 31, 1993 AND 1992

	1993		
	Inpatient	Outpatient	Total
DAILY PATIENT SERVICES			
Medical and surgical	$ 6,002,584	$	$ 6,002,584
Intensive care	702,736		702,736
Nursery	52,545		52,545
Skilled nursing	573,300		573,300
Rehabilitation unit	1,398,424		1,398,424
Psychiatric unit			
Problem drinking	2,184		2,184
	8,731,773		8,731,773
OTHER NURSING SERVICES			
Operating rooms	922,026	1,288,986	2,211,012
Recovery rooms	108,412	283,761	392,173
Delivery and labor rooms	179,556		179,556
Central service	2,022,884	1,098,769	3,121,653
Intravenous solutions	1,263,419	258,873	1,522,292
Emergency service	286,521	898,080	1,184,601
	4,782,818	3,828,469	8,611,287
OTHER PROFESSIONAL SERVICES			
Laboratory	3,116,631	1,733,495	4,850,126
Transfusion service	190,634	94,068	284,702
Electrocardiology	687,470	391,483	1,078,953
Electroencephalography	63,206	79,474	142,680
Radiology	2,076,733	1,376,646	3,453,379
Nuclear medicine	572,528	1,038,465	1,610,993
Respiratory therapy	3,004,716	307,584	3,312,300
Pharmacy	3,465,844	1,080,471	4,546,315
Anesthesiology	164,750	214,924	379,674
Oncology	6,062	165,221	171,283
Ultrasound	252,628	530,787	783,415
Occupational therapy	485,890	173,618	659,508
Speech therapy	213,573	124,539	338,112
Physical therapy	1,020,025	1,193,781	2,213,806
Psychological counseling		231,404	231,404
Ambulance		1,049,119	1,049,119
Home health		1,146,430	1,146,430
Clinics		287,656	287,656
Intern/resident clinic		24,519	24,519
Chemical dependency		115,544	115,544
	15,320,690	11,359,228	26,679,918

1992		
Inpatient	Outpatient	Total
$ 7,264,889	$	$ 7,264,889
782,740		782,740
60,261		60,261
593,112		593,112
1,654,016		1,654,016
14,922		14,922
525,693		525,693
10,895,633		10,895,633
961,201	1,007,245	1,968,446
117,356	233,581	350,937
149,370		149,370
2,296,796	766,877	3,063,673
1,710,305	242,318	1,952,623
247,647	794,659	1,042,306
5,482,675	3,044,680	8,527,355
3,671,387	1,588,192	5,259,579
209,970	58,958	268,928
653,262	316,440	969,702
73,983	78,684	152,667
2,004,747	1,321,767	3,326,514
693,096	962,663	1,655,759
3,338,355	244,178	3,582,533
3,513,765	836,943	4,350,708
173,915	182,058	355,973
4,915	110,153	115,068
234,152	468,057	702,209
418,137	144,406	562,543
215,419	91,052	306,471
1,016,276	1,068,991	2,085,267
49,919	191,463	241,382
	1,130,876	1,130,876
	501,398	501,398
	315,857	315,857
	52,014	52,014
16,271,298	9,664,150	25,935,448

STILL REGIONAL MEDICAL CENTER

NET PATIENT SERVICE REVENUE

YEARS ENDED JANUARY 31, 1993 AND 1992

	1993		
	Inpatient	Outpatient	Total
GROSS PATIENT SERVICE REVENUE	$ 28,835,281	$ 15,187,697	$ 44,022,978
LESS ALLOWANCES AND CHARITY			
Medicare contractual allowances			10,620,942
Medicaid contractual allowances			1,289,833
Administrative adjustments and other allowances			704,608
Charity			417,108
			13,032,491
NET PATIENT SERVICE REVENUE			$ 30,990,487

1992		
Inpatient	Outpatient	Total
$ 32,649,606	$ 12,708,830	$ 45,358,436
		11,669,705
		1,031,772
		792,271
		162,120
		13,655,868
		$ 31,702,568

STILL REGIONAL MEDICAL CENTER

OTHER REVENUE

YEARS ENDED JANUARY 31, 1993 AND 1992

	1993	1992
Cafeteria	$ 210,437	$ 215,274
Continuing medical education fees	67,618	55,833
Transcript fees	20,473	20,475
Miscellaneous	77,177	87,966
Gain (loss) on sale of fixed assets	720	(4,992)
Rentals, net	15,488	25,341
	$ 391,913	$ 399,897

STILL REGIONAL MEDICAL CENTER

EXPENSES

YEARS ENDED JANUARY 31, 1993 AND 1992

	1993		
	Salaries	Supplies and Expense	Total
NURSING SERVICES			
Nursing administration	$ 387,226	$ 52,580	$ 439,806
Medical and surgical	1,930,647	63,568	1,994,215
Intensive care	448,327	19,027	467,354
Nursery	19,255		19,255
Operating rooms	486,529	162,897	649,426
Recovery rooms	58,468	167	58,635
Delivery and labor rooms	108,397	18	108,415
Central service	30,243	1,266,164	1,296,407
Intravenous solutions		98,174	98,174
Emergency service	415,515	593,841	1,009,356
Psychiatric unit			
Rehabilitation unit	394,610	15,398	410,008
Problem drinking	56,196	2,694	58,890
Skilled nursing facility	347,168	16,862	364,030
	4,682,581	2,291,390	6,973,971
OTHER PROFESSIONAL SERVICES			
Laboratory	1,005,888	955,337	1,961,225
Electrocardiology	133,580	57,230	190,810
Electroencephalography	18,245	2,415	20,660
Radiology	565,235	633,083	1,198,318
Respiratory therapy	292,912	77,018	369,930
Nuclear medicine	143,737	315,228	458,965
Pharmacy		1,569,651	1,569,651
Anesthesiology		13,184	13,184
Oncology	119,459	30,345	149,804
Ultrasound	96,369	36,165	132,534
Speech therapy	163,764	7,501	171,265
Physical therapy	970,614	209,227	1,179,841
Occupational therapy	389,953	14,645	404,598
Ambulance	635,209	93,782	728,991
Home health	386,807	114,425	501,232
Social services	93,169	3,801	96,970
Psychological counseling	214,065	14,452	228,517
Medical records	302,378	111,907	414,285
Interns and residents	333,287	48,116	381,403
Clinics	249,118	336,715	585,833
Intern/resident clinic	8,870	11,748	20,618
	6,122,659	4,655,975	10,778,634

1992		
Salaries	Supplies and Expense	Total
$ 394,707	$ 77,991	$ 472,698
1,841,842	53,163	1,895,005
419,019	14,752	433,771
35,706		35,706
473,415	143,495	616,910
51,453		51,453
94,059		94,059
28,664	1,399,061	1,427,725
	77,896	77,896
363,505	463,686	827,191
27,090	1	27,091
332,077	8,989	341,066
278,470	14,229	292,699
333,417	10,030	343,447
4,673,424	2,263,293	6,936,717
919,229	967,704	1,886,933
97,200	84,261	181,461
12,426	169	12,595
448,350	892,191	1,340,541
285,725	102,577	388,302
140,673	308,385	449,058
87,290	1,381,871	1,469,161
	24,540	24,540
118,350	47,366	165,716
93,208	31,556	124,764
150,948	8,729	159,677
809,503	220,029	1,029,532
323,867	20,049	343,916
633,691	113,688	747,379
227,655	76,787	304,442
89,205	5,696	94,901
189,560	26,721	216,281
282,414	102,462	384,876
330,668	43,096	373,764
178,906	385,845	564,751
5,418,868	4,843,722	10,262,590

STILL REGIONAL MEDICAL CENTER

EXPENSES

YEARS ENDED JANUARY 31, 1993 AND 1992

	1993		
	Salaries	Supplies and Expense	Total
GENERAL SERVICES			
Dietary	$ 455,741	$ 383,248	$ 838,989
Plant operation	445,239	972,481	1,417,720
Housekeeping	376,082	58,940	435,022
Laundry and linen	88,559	42,711	131,270
	1,365,621	1,457,380	2,823,001
ADMINISTRATIVE AND FISCAL SERVICES			
Administrative	1,633,130	2,016,319	3,649,449
Payroll taxes and other employee benefits		2,718,204	2,718,204
	1,633,130	4,734,523	6,367,653
DEPRECIATION		1,759,795	1,759,795
INTEREST		746,711	746,711
PROVISION FOR BAD DEBTS		1,350,981	1,350,981
	$ 13,803,991	$ 16,996,755	$ 30,800,746

1992		
Salaries	Supplies and Expense	Total
$ 478,166	$ 388,178	$ 866,344
392,298	977,847	1,370,145
385,107	77,590	462,697
92,805	51,351	144,156
1,348,376	1,494,966	2,843,342
1,556,178	1,650,088	3,206,266
	3,014,244	3,014,244
1,556,178	4,664,332	6,220,510
	1,666,133	1,666,133
	799,966	799,966
	2,139,372	2,139,372
$ 12,996,846	$ 17,871,784	$ 30,868,630