COUNTY OF LOS ANGELES

MARVIN J. SOUTHARD, D.S.W.
Director

SHEILA A. SHIMA
Chief Deputy Director

RODERICK SHANER, M.D.
Medical Director

550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

BOARD OF SUPERVISORS
GLORIA MOLINA
YVONNE B. BURKE
ZEV YAROSLAVSKY
DON KNABE
MICHAEL D. ANTONOVICH

DEPARTMENT OF MENTAL HEALTH

http://dmh.lacounty.gov

Reply To: (213) 738-4601
Fax: (213) 386-1297

May 31, 2007

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

APPROVAL OF THE TERMINATION OF THE DEPARTMENT OF MENTAL HEALTH'S LEGAL ENTITY AND COMMUNITY CARE RESIDENTIAL FACILITY AGREEMENTS WITH PORTALS HOUSE
AND
THE EFFECTUATION OF A MUTUALLY AGREED UPON MERGER BETWEEN PORTALS HOUSE AND PACIFIC CLINICS
ALL SUPERVISORIAL DISTRICTS
(3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the Director of Mental Health or his designee to effectuate a mutually agreed upon termination of the Department of Mental Health's (DMH) Legal Entity (LE) Agreement No. MH120145 and Community Care Residential Facility (CCRF) Agreement No. MH160013 with Portals House (Portals), contingent upon implementation of a mutually agreed upon merger (Attachment I) by and between Portals and Pacific Clinics. DMH, under delegated authority approved by your Board on June 20, 2006, will enter into a new CCRF Agreement with Pacific Clinics to continue uninterrupted basic care services.

   The quantity and quality of services previously provided separately by Portals will not be diminished, and Pacific Clinics will assume all past, present, and future responsibilities and obligations of Portals. The currently anticipated merger effective date is July 1, 2007.

2. Approve and instruct the Director of Mental Health or his designee to prepare, sign, and execute an Amendment (substantially similar to Attachment II) to DMH's LE Agreement No. MH120144 with Pacific Clinics, the surviving entity after the merger, for the continuation of mental health services to clients who were previously receiving services from Portals. This Amendment will increase the Maximum Contract Amount (MCA) by $14,400,400 for each Fiscal Year (FY) 2007-08 and 2008-09. The MCA will increase from $63,723,000 to $78,123,400 for each FY. This increase includes a combined 12-month MCA for Pacific Clinics and Portals for each fiscal year.

3. Delegate authority to the Director of Mental Health or his designee to prepare, sign, and execute future amendments to the Agreement with Pacific Clinics and establish as a new MCA the aggregate of all amendments provided that: 1) the County's total payments to the Contractor under the Agreement for each fiscal year shall not exceed an increase of 20 percent from the applicable MCA; 2) any such increase shall be used to provide additional services or to reflect program and/or policy changes; 3) the Board of Supervisors has appropriated sufficient funds for all changes; 4) approval of County Counsel and the Chief Administrative Officer (CAO) or their designee is obtained prior to any such Amendment; 5) the parties may, by written Amendment, mutually agree to reduce programs or services without reference to the 20 percent limitation; and 6) the Director of Mental Health shall notify the Board of Supervisors of Agreement changes in writing within 30 days after execution of each Amendment.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The purpose of the recommended actions is to accomplish the termination of Portals, DMH LE Agreement No. MH120145 and CCRF Agreement No. MH160013, and to effectuate and implement the merger of Portals and Pacific Clinics into Pacific Clinics DMH LE Agreement No. MH120144 and to enter into a new CCRF Agreement, as requested by these entities. It is understood that the merger, as set forth herein, will not diminish the quantity and quality of services previously provided separately by Portals, and that Pacific Clinics will be fiscally responsible for all of Portals obligations, past, present, and future. In particular, and without in any way limiting the scope of the financial obligations assumed, Pacific Clinics understands and agrees: (1) that it will be entirely responsible for any and all audit exceptions applied at any time against the previous entity, Portals, through any of its agreements with County or any department thereof, whether assessed by federal, State, or County audit(s); and (2) that these audit exceptions may arise and become payable before and after the effective date of the

merger and the cessation of the existence of Portals. The parties agree that all applicable review and dispute resolution procedures under the contract at issue shall apply.

Implementation of Strategic Plan Goals

The recommended Board actions are consistent with the principles of the Countywide Strategic Plan Programmatic Goals No. 1, "Service Excellence" and No. 6, "Community Services." Board approval of these actions will allow for continuity of services currently provided by Portals.

FISCAL IMPACT/FINANCING

There is no increase in net County cost.

The merger will increase the MCA of Pacific Clinics by $14,400,400 for a total of $78,123,400. The funding for FY 2007-08 is included in DMH's Proposed Budget. The funding for FY 2008-09 will be requested during DMH's annual budget process.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Portals, through its current contract with DMH, provides mental health care for adolescents, adults, and their families in Supervisorial Districts 1 and 2. Portals has provided mental health treatment services to communities within Los Angeles since 1950. The agency's primary administrative site is located at 679 South New Hampshire Avenue, Los Angeles, CA 90005. The program accepts referrals from DMH, the Department of Public Social Services (DPSS), the Probation Department, school districts, and other family service agencies.

The treatment components offered by Portals under the DMH contract include:

24-Hour Services
- Adult Residential

Day Services
- Vocational Services
- Socialization

Outpatient Services
- Targeted Case Management Services
- Mental Health Services
- Medication Support
- Crisis Intervention

Outreach Services
- Mental Health Promotion
- Community Client Services

Support Services
- Client Supportive Services

In addition, Portals provides Medi-Cal Administrative Activities and Basic Care Services.

Pacific Clinics, through its current contract with DMH, provides mental health care for children, adolescents, adults, and their families in Supervisorial Districts 1, 3, 4, and 5. The agency has served the greater Pasadena area since 1926. Services are delivered in Altadena, Commerce, Covina, Downey, El Monte, Glendale, Glendora, Irwindale, La Puente, Monrovia, Norwalk, Pasadena, Pico Rivera, Pomona, Rosemead, Santa Fe Springs, Sierra Madre, and West Covina. The agency's primary administrative site is located at 800 South Santa Anita Avenue, Arcadia, CA 91006. The program accepts referrals from DMH, the Department of Children and Family Services, DPSS, the Probation Department, school districts, Wraparound, Systems of Care, and other family service agencies.

The treatment components offered by Pacific Clinics under the DMH contract include:

Day Services
- Socialization
- Day Treatment Intensive: Half Day
- Day Treatment Intensive: Full Day
- Day Rehabilitation: Half Day
- Day Rehabilitation: Full Day

Outpatient Services
- Targeted Case Management Services
- Mental Health Services
- Therapeutic Behavioral Services (TBS)
- Medication Support
- Crisis Intervention

Outreach Services
- Mental Health Promotion
- Community Client Services

Support Services
- Client Supportive Services

In addition, in March 2007, Pacific Clinics was awarded a Consultant Agreement, MH050008 to provide Family Crisis Services/Respite Care Program. The merged Pacific Clinics will provide Family Crisis Services/Respite Care Program under this Agreement for FY 2007-08.

The proposed merger of Portals and Pacific Clinics into Pacific Clinics will result in administrative and service delivery efficiencies that will benefit the communities and clients currently being served by each agency as separate legal entities. Pacific Clinics will be administratively headquartered at the site of Pacific Clinics' current headquarters located at 800 South Santa Anita Avenue, Arcadia, CA 91006. The current Portals headquarters at 679 South New Hampshire Avenue, Los Angeles, CA 90005 will cease operations as an administrative headquarters but will continue solely as an administrative satellite site. The consolidation of administrative functions will include streamlining of tasks and elimination of redundant administrative positions that result from this proposed merger. The streamlining of administrative overhead and elimination of redundancy will result in a shift of available resources to increase service delivery capacity without additional net County cost. The surviving entity expects to expand service delivery capacity to provide mental health services to approximately 16,242 unduplicated clients annually. This represents an approximate 8 percent increase over FY 2005-06, the last full fiscal year for which data is available.

Under the proposed merger, Pacific Clinics will continue to deliver the same array of services at the Medi-Cal certified sites currently used by Portals and Pacific Clinics. The quantity and quality of services previously provided separately by Portals will not be diminished. This will minimize any unintended consequences related to continuity of care for clients and service delivery staff.

The attached Amendment format has been approved as to form by County Counsel. The CAO has reviewed the proposed actions. Clinical and Administrative staff of DMH will also continue to administer and supervise the Agreement, evaluate programs to ensure that quality services are being provided to clients, and ensure that Agreement provisions and Departmental policies are being followed.

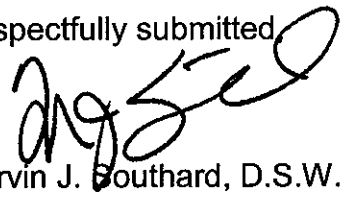
IMPACT ON CURRENT SERVICES

Under the merger of Pacific Clinics and Portals, Board approval of these actions will allow for a smooth transition in the provision of mental health services, with Portals clients being able to continue to receive services at the same locations and from their same clinicians. It is anticipated that service levels and quality will be maintained so that there will be no negative impact on current services.

CONCLUSION

The Department of Mental Health will need one (1) copy of the adopted Board actions. It is requested that the Executive Officer of the Board notify the DMH Contracts Development and Administration Division at (213) 738-4684 when this document is available.

Respectfully submitted,



Marvin J. Southard, D.S.W.
Director of Mental Health

MJS:KW:OC:RK

Attachments (2)

c: Chief Administrative Office
County Counsel
Auditor-Controller
Chairperson, Mental Health Commission

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger is made on the 16th day of May, 2007 (the "Agreement") by and between Pacific Clinics, a California nonprofit public benefit corporation ("Pacific Clinics") and Portals House, a California nonprofit public benefit corporation ("Portals") (Pacific Clinics and Portals are referred to herein individually as a "Party" and collectively as the "Parties").

WHEREAS, Pacific Clinics is a nonprofit service organization that operates certain community-based programs and provides services in Los Angeles, California and surrounding areas to people with severe and persistent psychiatric conditions; and

WHEREAS, Portals is a nonprofit service organization that operates certain community-based programs and provides services in Los Angeles, California and surrounding areas, including supportive housing, to people with severe and persistent psychiatric conditions; and

WHEREAS, each of the Parties has been recognized as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended;

WHEREAS, the Parties mutually agree that in order to operate more efficiently while increasing the ability to provide behavioral health services to a larger audience, it is in their best interest that Portals merge with and into Pacific Clinics under and pursuant to the laws of the State of California, with Pacific Clinics being the surviving entity.

NOW, THEREFORE, in consideration of the promises and of the mutual agreements contained herein, and of the mutual benefits hereby provided, it is agreed by and between the Parties hereto as follows:

1. Merger. As of 12:01 a.m. on July 1, 2007 (the "Effective Time"), Portals shall be merged with and into Pacific Clinics (the "Merger"), provided that all conditions precedent and other matters required to be completed as of the Effective Time have been or will be completed at such time, in accordance with (a) the terms and conditions of this Agreement, (b) applicable law and (c) the Articles of Incorporation and Bylaws of the Parties. As of the Effective Time, (x) Pacific Clinics shall (i) be the surviving corporation and (ii) continue its existence under the laws of the State of California and (y) the separate corporate existence of Portals shall cease.

2. Consummation of the Merger. Prior to or at the Effective Time, the Parties shall cause a fully executed original of this Agreement and the Certificates of Approval of each Party, a form of which is attached as Exhibit A hereto, to be filed with the California Secretary of State. The Parties shall execute and deliver all such documents and instruments and take such other actions as may be necessary or desirable to evidence or carry out the Merger, including providing prior written notice of the Merger to the California Attorney General.

3. Articles of Incorporation and Bylaws. The Amended and Restated Articles of Incorporation, in the form attached hereto as Exhibit B ("Articles"), and the Amended and Restated Bylaws, in the form attached hereto as Exhibit C ("Bylaws"), shall be the restated Articles of Incorporation and Bylaws, respectively, of Pacific Clinics as of the Effective Time, unless and until the same shall be amended in accordance with the respective provisions thereof.

4. Effect of Merger. At and after the Effective Time, Pacific Clinics shall succeed to and possess, without further act or deed, all of the rights, privileges, powers, and franchises, both public and private, and all of the property, real, personal and mixed, of each of the Parties hereto; all debts, liabilities, and duties of the respective Parties hereto shall attach to Pacific Clinics and may be enforced against it to the same extent as if such debts, liabilities and duties had been incurred or contracted by it.

5. Further Assurance of Title. If at any time Pacific Clinics shall consider or be advised that any acknowledgments or assurances in law or other similar actions are necessary or desirable in order to acknowledge or confirm in and to Pacific Clinics any right, title, or interest of Portals held immediately prior to the Effective Time, Portals and its proper officers and directors shall and will execute and deliver all such acknowledgments or assurances in law and do all things necessary or proper to acknowledge or confirm such right, title, or interest in Pacific Clinics as shall be necessary to carry out the purposes of this Agreement and its proper officers and directors hereof are fully authorized to take any and all such action in the name of Portals or otherwise.

6. Board of Directors and Officers. As of the Effective Time, the initial twenty-two (22) members of the Pacific Clinics Board of Directors shall be those persons set forth on Exhibit D hereto as follows: (a) the President and Executive Vice President of Pacific Clinics, each of whom shall serve as ex-officio voting members for so long as they hold those positions; (b) twelve (12) directors nominated by Pacific Clinics immediately prior to the Effective Time ("Initial Pacific Clinics Directors"); and (c) eight (8) directors nominated by Portals immediately prior to the Effective Time ("Initial Portals Directors"). Any director among the Initial Portals Directors who is replaced for any reason prior to the first (1st) anniversary of the Effective Time shall be replaced by a person identified by a majority of the remaining Initial Portals Directors and who is approved by the Board as set forth in the Bylaws. Exhibit D shall also set forth (a) the expiration of the initial term of office for each Initial Pacific Clinics Director and Initial Portals Director; (b) those persons serving as the initial management of the Portals Division (as defined below), whose service shall be subject to the satisfactory performance of their job duties as may be prescribed by the Pacific Clinics Board of Directors from time to time; (c) those persons serving as the initial officers of Pacific Clinics, each of whom shall serve in such offices, respectively, for the terms provided in the Bylaws, or until their successors are appointed; and (d) those persons serving as the initial members of the Executive Committee of the Board of Directors, except for the chairs of the standing committees, as of the Effective Time.

7. Representations and Warranties of Portals. Portals represents and warrants that each of the following statements set forth in this Section 7 is true and correct as of the date of this Agreement and immediately prior to the Effective Time.

7.1 Organization and Status. Portals is duly formed, validly existing and in good standing as a nonprofit corporation under the laws of the State of California.

7.2 Authorization; No Conflict. Portals has all requisite corporate power and authority to execute and enter into this Agreement and to perform its obligations hereunder. The execution, delivery and performance by Portals of this Agreement has been duly authorized by all necessary corporate action by Portals, and assuming due and valid execution by Pacific

Clinics, this Agreement constitutes a valid and binding obligation of Portals enforceable in accordance with its terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect and (b) limitations on the enforcement of equitable remedies. The execution and delivery of this Agreement and Portals' performance of this Agreement do not and will not contravene, violate or conflict with any term or provision of Portal's Articles of Incorporation, Bylaws or other governing documents or any obligation of Portals under any document or instrument by which Portals is bound.

7.3 Title to Assets. Portals has good and marketable fee simple or leasehold title, as the case may be, to the real property described on Schedule 7.3(a) attached hereto (the "Portals Real Property"). Portals has good and valid title to its owned personal property, including without limitation, all inventory, equipment, supplies, furniture, computer hardware, automobiles and other tangible personal property, which individually or in the aggregate is material to the condition (financial or otherwise), operations or business of Portals (the "Portals Personal Property"). The Portals Real Property and the Portals Personal Property is held free and clear of all liens, pledges, claims, charges, security interests or other encumbrances and is not, in the case of the Portals Real Property, subject to any rights-of-way, building or use restrictions, exceptions, variances, reservations or limitations of any nature whatsoever except, with respect to such properties, (a) liens for current real property taxes and assessments, (b) mechanics', carriers', workmen's, repairmen's and other statutory liens, rights of way, building or use restrictions, exceptions, easements, covenants, variances, reservations and other limitations of any kind, if any, which do not materially impair the ordinary business operations of Portals or for which, in respect of matters affecting title to the Portals Real Property, title insurance coverage has been obtained, (c) those standard printed exceptions customarily set forth in title reports or title policies, and (d) other such encumbrances as are set forth in Schedule 7.3(b). None of the Portals Real Property is subject to a pending, or to Portal's Actual Knowledge threatened, condemnation or similar proceeding.

7.4 Contracts and Leases. To Portals' Actual Knowledge, Schedule 7.4 attached hereto is a true and correct list of all leases, contracts, agreements and other arrangements to which Portals is a party (the "Material Contracts") which (a) require payments by Portals during the remaining term of any such arrangement in excess of Five Thousand Dollars ($5,000) and (b) either have a remaining term in excess of twelve (12) months or cannot be terminated by Portals upon notice of one hundred eighty (180) calendar days or less. To Portals' Actual Knowledge, all such Material Contracts are valid, binding, in full force and effect, and enforceable in accordance with their terms in all material respects. To Portals' Actual Knowledge, there is no event of default or breach by Portals under any Material Contract and no facts and circumstances exist that with the passage of time or the giving of notice or both, would constitute an event of default.

7.5 Permits and Licenses. Portals has all permits and licenses that are necessary to enable Portals to own and to carry on its business operations, as presently conducted, and to receive private, state and federal government payment for furnishing mental health services, except where the failure to have such permits and licenses would not have a material adverse effect on the business of Portals. To Portals' Actual Knowledge, Schedule 7.5

attached hereto lists all of the permits, licenses, provider numbers and governmental contracts held by Portals relating to its business operations. To Portals' Actual Knowledge, the permits, licenses, provider numbers and governmental contracts listed on Schedule 7.5 are valid and in full force and effect, and no violations of any such permits, licenses, provider numbers or governmental contracts have occurred or, have been alleged by any third party to have occurred. Furthermore, no investigations or proceedings are pending or, to Portals' Actual Knowledge, threatened, that would have the effect of terminating, revoking, limiting, suspending, restricting, impairing or otherwise affecting any of such permits, licenses, provider numbers or governmental contracts.

7.6 Legal Proceedings. Except as disclosed on Schedule 7.6 attached hereto, there are no lawsuits, claims, or legal, administrative or arbitration proceedings or investigations pending, or to Portals' Actual Knowledge, threatened, by or against or affecting Portals, its business operations, any of the Portals Real Property or any of the Portals Personal Property including, without limitation, any proceeding which seeks to enjoin the consummation of the Merger contemplated hereunder.

7.7 Financial Statements. Schedule 7.7 attached hereto contains the "Portals Financial Statements" (as defined below). The Portals Financial Statements (a) were prepared in accordance with Portals' books of account and other financial records and (b) present fairly in all material respects the financial condition and results of Portals' business operations as of the respective dates thereof and for the respective periods covered thereby. For purposes of this Agreement, the term "Financial Statements" shall mean Portals' audited financial statements for the fiscal years ended June 30, 2004, 2005 and 2006, the unaudited balance sheets as of March 31, 2007, and the unaudited income statements for the nine (9) month period ended March 31, 2007.

7.8 Outstanding Indebtedness. Except as disclosed on the Portals Financial Statements, Portals has no indebtedness for borrowed funds which Portals or any other person or legal entity has created, incurred, assumed or guaranteed, or with respect to which Portals has otherwise become liable.

7.9 Employment Matters. Schedule 7.9 attached hereto contains a current, correct and complete list of the names and current hourly wage, hourly salary and other compensation of all employees who provide services with respect to Portals' business, together with a summary (containing estimates to the extent necessary) of the individual's existing bonuses, additional compensation and other benefits (whether current or deferred), if any, accrued, paid or payable to each such person for services rendered or to be rendered through the date set forth thereon (which date is a date as near as possible in time to the date of this Agreement). Except as set forth on Schedule 7.9, all of such employees are "at will" employees and to Portals' Actual Knowledge, no present or former employee has filed any grievance or employment action against Portals. To Portals' Actual Knowledge, each Portals employee who is required to be licensed by applicable law is so licensed.

7.10 Employee Benefit Plans. Set forth on Schedule 7.10 attached hereto is a true and complete list of all employee benefit plans, funds, and programs, including vacation or

paid time-off policy, disability program, health care, or other employee assistance program, whether written or otherwise, which are currently sponsored or maintained or entered into for the benefit of, or relating to, any present employees of Portals (each, an "Employee Benefit Plan"). Each Employee Benefit Plan is being operated and administered in compliance in all material respects with the provisions thereof and with all applicable laws, rules and regulations, and, to Portals' Actual Knowledge, each Employee Benefit Plan has at all times been operated and administered in compliance in all material respects with the provisions thereof.

7.11 Taxes. Portals has filed, or has caused to be filed, on a timely basis and subject to all permitted extensions, all tax returns with appropriate governmental agencies in all jurisdictions in which such tax returns are required to be filed, and to Portals' Actual Knowledge, all such tax returns were correct and complete. All taxes that are shown as due on such tax returns have been timely paid, or delinquencies cured with payment of any applicable penalties and interest.

7.12 Insurance. Portals' properties and operations have been continuously insured by Portals through the purchase of insurance from a third party insurance company since the date of their acquisition, with the types and amounts of insurance that are reasonably anticipated to be adequate to protect Portals and Portals' real and personal properties against the risks involved in Portals' business and ownership of its properties. Schedule 7.12 attached hereto sets forth a complete and accurate list and brief description of all insurance policies currently held by Portals with respect to its business and properties, including without limitation, fire, medical malpractice and professional liability, general liability, casualty and property damage, business interruption, extended coverage and workers' compensation. The description of the insurance policies provided in Schedule 7.12 shall include a statement specifying the name of the insurer, the amount of coverage and any deductibles, the type of insurance, the amount of the premiums and dates when they are due, the policy numbers, any previously filed or pending claims thereunder, and the expiration date of such policies.

7.13 Compliance With Laws. To Portals' Actual Knowledge, except as provided on Schedule 7.13 attached hereto, (a) Portals has not violated any, and is in compliance with all, applicable federal and state laws and regulations, (b) Portals has not received any written or other notice alleging that Portals is not in compliance with any federal or state law or regulation, (c) Portals has not submitted any false or fraudulent claim to any third party and (d) Portals has not received any notice from any third party which alleges a billing mistake, overpayment claim or false claim.

7.14 Undisclosed Liabilities. To Portals' Actual Knowledge, Portals does not have any liabilities or obligations of any nature whatsoever, due or to become due, accrued, absolute, contingent or otherwise, that would adversely affect Portals, its business or its properties, other than those liabilities set forth in the Financial Statements, and obligations incurred in the ordinary course of business and consistent with past practice.

7.15 Portals' Actual Knowledge. References in this Section 7 to Portals' "Actual Knowledge" shall mean the actual knowledge of those individuals listed on Schedule 7.15 hereto, without independent inquiry.

8. Representations and Warranties of Pacific Clinics. Pacific Clinics represents and warrants that each of the following statements set forth in this Section 8 is true and correct as of the date of this Agreement and immediately prior to the Effective Time.

8.1 Organization and Status. Pacific Clinics is duly formed, validly existing and in good standing as a nonprofit corporation under the laws of the State of California.

8.2 Authorization; No Conflict. Pacific Clinics has all requisite corporate power and authority to execute and enter into this Agreement and to perform its obligations hereunder. The execution, delivery and performance by Pacific Clinics of this Agreement has been duly authorized by all necessary corporate action by Pacific Clinics, and assuming due and valid execution by Pacific Clinics, this Agreement constitutes a valid and binding obligation of Pacific Clinics enforceable in accordance with its terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect and (b) limitations on the enforcement of equitable remedies. The execution and delivery of this Agreement and Pacific Clinics' performance of this Agreement do not and will not contravene, violate or conflict with any term or provision of Pacific Clinics' Articles of Incorporation, Bylaws or other governing documents or any obligation of Pacific Clinics under any document or instrument by which Pacific Clinics is bound.

8.3 Title to Assets. Pacific Clinics has good and marketable fee simple or leasehold title, as the case may be, to the real property described on Schedule 8.3(a) attached hereto (the "Pacific Clinics Real Property"). Pacific Clinics has good and valid title to its owned personal property, including without limitation, all inventory, equipment, supplies, furniture, computer hardware, automobiles and other tangible personal property, which individually or in the aggregate is material to the condition (financial or otherwise), operations or business of Pacific Clinics (the "Pacific Clinics Personal Property"). The Pacific Clinics Real Property and the Pacific Clinics Personal Property is held free and clear of all liens, pledges, claims, charges, security interests or other encumbrances and is not, in the case of the Pacific Clinics Real Property, subject to any rights-of-way, building or use restrictions, exceptions, variances, reservations or limitations of any nature whatsoever except, with respect to such properties, (a) liens for current real property taxes and assessments, (b) mechanics', carriers', workmen's, repairmen's and other statutory liens, rights of way, building or use restrictions, exceptions, easements, covenants, variances, reservations and other limitations of any kind, if any, which do not materially impair the ordinary business operations of Pacific Clinics or for which, in respect of matters affecting title to the Pacific Clinics Real Property, title insurance coverage has been obtained, (c) those standard printed exceptions customarily set forth in title reports or title policies, and (d) other such encumbrances as are set forth in Schedule 8.3(b). None of the Pacific Clinics Real Property is subject to a pending, or to Pacific Clinic's Actual Knowledge threatened, condemnation or similar proceeding.

8.4 Contracts and Leases. To Pacific Clinics' Actual Knowledge, Schedule 8.4 attached hereto is a true and correct list of all leases, contracts, agreements and other arrangements to which Pacific Clinics is a party (the "Material Contracts") which (a) require payments by Pacific Clinics during the remaining term of any such arrangement in excess of Five Thousand Dollars ($5,000) and (b) either have a remaining term in excess of twelve (12) months or cannot be terminated by Pacific Clinics upon notice of one hundred eighty (180)

calendar days or less. To Pacific Clinics' Actual Knowledge, all such Material Contracts are valid, binding, in full force and effect, and enforceable in accordance with their terms in all material respects. To Pacific Clinics' Actual Knowledge, there is no event of default or breach by Pacific Clinics under any Material Contract and no facts and circumstances exist that with the passage of time or the giving of notice or both, would constitute an event of default.

8.5 Permits and Licenses. Pacific Clinics has all permits and licenses that are necessary to enable Pacific Clinics to own and to carry on its business operations, as presently conducted, and to receive private, state and federal government payment for furnishing mental health services, except where the failure to have such permits and licenses would not have a material adverse effect on the business of Pacific Clinics. To Pacific Clinics' Actual Knowledge, Schedule 8.5 attached hereto lists all of the permits, licenses, provider numbers and governmental contracts held by Pacific Clinics relating to its business operations. To Pacific Clinics' Actual Knowledge, the permits, licenses, provider numbers and governmental contracts listed on Schedule 8.5 are valid and in full force and effect, and no violations of any such permits, licenses, provider numbers or governmental contracts have occurred or, have been alleged by any third party to have occurred. Furthermore, no investigations or proceedings are pending or, to Pacific Clinics' Actual Knowledge, threatened, that would have the effect of terminating, revoking, limiting, suspending, restricting, impairing or otherwise affecting any of such permits, licenses, provider numbers or governmental contracts.

8.6 Legal Proceedings. Except as disclosed on Schedule 8.6 attached hereto, there are no lawsuits, claims, or legal, administrative or arbitration proceedings or investigations pending, or to Pacific Clinics' Actual Knowledge, threatened, by or against or affecting Pacific Clinics, its business operations, any of the Pacific Clinics Real Property or any of the Pacific Clinics Personal Property including, without limitation, any proceeding which seeks to enjoin the consummation of the Merger contemplated hereunder.

8.7 Financial Statements. Schedule 8.7 attached hereto contains the "Pacific Clinics Financial Statements" (as defined below). The Pacific Clinics Financial Statements (a) were prepared in accordance with Pacific Clinics' books of account and other financial records and (b) present fairly in all material respects the financial condition and results of Pacific Clinics' business operations as of the respective dates thereof and for the respective periods covered thereby. For purposes of this Agreement, the term "Financial Statements" shall mean Pacific Clinics' audited financial statements for the fiscal years ended June 30, 2004, 2005 and 2006, the unaudited balance sheets as of March 31, 2007, and the unaudited income statements for the nine (9) month period ended March 31, 2007.

8.8 Outstanding Indebtedness. Except as disclosed on the Pacific Clinics Financial Statements, Pacific Clinics has no indebtedness for borrowed funds which Pacific Clinics or any other person or legal entity has created, incurred, assumed or guaranteed, or with respect to which Pacific Clinics has otherwise become liable.

8.9 Employment Matters. Schedule 8.9 attached hereto contains a current, correct and complete list of the names and current hourly wage, hourly salary and other compensation of all employees who provide services with respect to Pacific Clinics' business,

together with a summary (containing estimates to the extent necessary) of the individual's existing bonuses, additional compensation and other benefits (whether current or deferred), if any, accrued, paid or payable to each such person for services rendered or to be rendered through the date set forth thereon (which date is a date as near as possible in time to the date of this Agreement). Except as set forth on Schedule 8.9, all of such employees are "at will" employees and to Pacific Clinics' Actual Knowledge, no present or former employee has filed any grievance or employment action against Pacific Clinics. To Pacific Clinics' Actual Knowledge, each Pacific Clinics employee who is required to be licensed by applicable law is so licensed.

8.10 Employee Benefit Plans. Set forth on Schedule 8.10 attached hereto is a true and complete list of all employee benefit plans, funds, and programs, including vacation or paid time-off policy, disability program, health care, or other employee assistance program, whether written or otherwise, which are currently sponsored or maintained or entered into for the benefit of, or relating to, any present employees of Pacific Clinics (each, an "Employee Benefit Plan"). Each Employee Benefit Plan is being operated and administered in compliance in all material respects with the provisions thereof and with all applicable laws, rules and regulations, and, to Pacific Clinics' Actual Knowledge, each Employee Benefit Plan has at all times been operated and administered in compliance in all material respects with the provisions thereof.

8.11 Taxes. Pacific Clinics has filed, or has caused to be filed, on a timely basis and subject to all permitted extensions, all tax returns with appropriate governmental agencies in all jurisdictions in which such tax returns are required to be filed, and to Pacific Clinics' Actual Knowledge, all such tax returns were correct and complete. All taxes that are shown as due on such tax returns have been timely paid, or delinquencies cured with payment of any applicable penalties and interest.

8.12 Insurance. Pacific Clinics' properties and operations have been continuously insured by Pacific Clinics through the purchase of insurance from a third party insurance company since the date of their acquisition, with the types and amounts of insurance that are reasonably anticipated to be adequate to protect Pacific Clinics and Pacific Clinics' real and personal properties against the risks involved in Pacific Clinics' business and ownership of its properties. Schedule 8.12 attached hereto sets forth a complete and accurate list and brief description of all insurance policies currently held by Pacific Clinics with respect to its business and properties, including without limitation, fire, medical malpractice and professional liability, general liability, casualty and property damage, business interruption, extended coverage and workers' compensation. The description of the insurance policies provided in Schedule 8.12 shall include a statement specifying the name of the insurer, the amount of coverage and any deductibles, the type of insurance, the amount of the premiums and dates when they are due, the policy numbers, any previously filed or pending claims thereunder, and the expiration date of such policies.

8.13 Compliance With Laws. To Pacific Clinics' Actual Knowledge, except as provided on Schedule 8.13 attached hereto, (a) Pacific Clinics has not violated any, and is in compliance with all, applicable federal and state laws and regulations, (b) Pacific Clinics has not received any written or other notice alleging that Pacific Clinics is not in compliance with any federal or state law or regulation, (c) Pacific Clinics has not submitted any false or fraudulent

claim to any third party and (d) Pacific Clinics has not received any notice from any third party which alleges a billing mistake, overpayment claim or false claim.

8.14 Undisclosed Liabilities. To Pacific Clinics' Actual Knowledge, Pacific Clinics does not have any liabilities or obligations of any nature whatsoever, due or to become due, accrued, absolute, contingent or otherwise, that would adversely affect Pacific Clinics, its business or its properties, other than those liabilities set forth in the Financial Statements, and obligations incurred in the ordinary course of business and consistent with past practice.

8.15 Pacific Clinics' Actual Knowledge. References in this Section 8 to Pacific Clinics' "Actual Knowledge" shall mean the actual knowledge of those individuals listed on Schedule 8.15 hereto, without independent inquiry.

9. Conditions Precedent of Portals. All obligations of Portals under this Agreement and its performance hereunder shall be subject to the fulfillment and satisfaction of the following conditions on or prior to the Effective Time:

9.1 Representations and Warranties True and Correct. All of the representations and warranties of Pacific Clinics contained in this Agreement shall be true and correct in all material respects as of the date of this Agreement and immediately prior to the Effective Time.

9.2 Performance of Obligations. Pacific Clinics shall have in all material respects performed or complied with each and all of the obligations, covenants, agreements and conditions required to be performed or complied with by it on or prior to the Effective Time.

9.3 Unfavorable Action or Proceeding. As of the Effective Time, no orders, decrees, judgments or injunctions of any court or governmental body shall be in effect, and no claims, actions, suits, proceedings, arbitrations or investigations shall be pending or threatened, which challenge or seek to challenge, or which could prevent or cause the rescission of, the consummation of the transactions contemplated in this Agreement.

9.4 Governmental Authorizations. The Parties shall have obtained all material licenses, permits and authorizations from governmental agencies or governmental bodies that are necessary or required for completion of the transactions contemplated by this Agreement including reasonable assurances that any material licenses, permits and authorizations not actually issued as of the Effective Time will be issued following the Effective Time (which may include oral assurances from appropriate governmental agencies or bodies).

9.5 Documents. Pacific Clinics shall have executed and delivered all documents required to be executed and delivered pursuant to the provisions of this Agreement, and all other actions required to have been taken by Pacific Clinics on or prior to the Effective Time shall have been taken.

9.6 Board Approval. Portals shall have obtained all corporate approvals regarding Portals' execution of this Agreement and the consummation of the transactions

contemplated hereunder, including, without limitation, the approval of Portals' Board of Directors.

9.7 No Material Adverse Change. Since March 31, 2007 there shall not have occurred any changes in the business, assets, financial condition or results of operations of Pacific Clinics which in the aggregate are materially adverse to Pacific Clinics' business taken as a whole.

9.8 Third Party Approvals. The Parties shall have received approvals from the third parties set forth on Schedule 9.8 hereto with respect to the consummation of the transactions contemplated hereunder, which approvals are in a form reasonably acceptable to Portals.

9.8 Employment Agreements. Effective as of the Effective Time, Pacific Clinics shall have entered into employment agreements that are each in a form reasonably acceptable to Portals with the following individuals: (a) James J. Balla; (b) Mike Cazares; and (c) Ram Danaboyina.

10. Conditions Precedent of Pacific Clinics. All obligations of Pacific Clinics under this Agreement and its performance hereunder shall be subject to the fulfillment and satisfaction of the following conditions at or prior to the Effective Time:

10.1 Representations and Warranties True and Correct. All of the representations and warranties of Portals contained in this Agreement shall be true and correct in all material respects as of the date of this Agreement and immediately prior to the Effective Time.

10.2 Performance of Obligations. Portals shall have in all material respects performed or complied with each and all of the obligations, covenants, agreements and conditions required to be performed or complied with by it on or prior to the Effective Time.

10.3 Unfavorable Action or Proceeding. As of the Effective Time, no orders, decrees, judgments or injunctions of any court or governmental body shall be in effect, and no claims, actions, suits, proceedings, arbitrations or investigations shall be pending or threatened, which challenge or seek to challenge, or which could prevent or cause the rescission of, the consummation of the transactions contemplated in this Agreement.

10.4 Governmental Authorizations. The Parties shall have obtained all material licenses, permits and authorizations from governmental agencies or governmental bodies that are necessary or required for completion of the transactions contemplated by this Agreement including reasonable assurances that any material licenses, permits and authorizations not actually issued as of the Effective Time will be issued following the Effective Time (which may include oral assurances from appropriate governmental agencies or bodies).

10.5 Documents. Portals shall have executed and delivered all documents required to be executed and delivered pursuant to the provisions of this Agreement, and all other actions required to have been taken by Portals on or prior to the Effective Time shall have been taken.

10.6 Board Approval. Pacific Clinics shall have obtained all corporate approvals regarding Pacific Clinics' execution of this Agreement and the consummation of the transactions contemplated hereunder, including, without limitation, the approval of Pacific Clinics' Board of Directors.

10.7 No Material Adverse Change. Since March 31, 2007 there shall not have occurred any changes in the business, assets, financial condition or results of operations of Portals which in the aggregate are materially adverse to Portals' business taken as a whole.

10.8 Third Party Approvals. The Parties shall have received approvals from the third parties set forth on Schedule 9.8 hereto with respect to the consummation of the transactions contemplated hereunder, which approvals are in a form reasonably acceptable to Pacific Clinics.

10.9 Agreement with Portals Foundation. Pacific Clinics and Portals Foundation shall have entered into an agreement regarding the Portals Foundation's use of the "Portals" name, in the form of Exhibit E hereto (the "Portals Foundation Agreement").

11. Termination. This Agreement and Plan of Merger may be terminated or abandoned by action of the Board of Directors of either Pacific Clinics or Portals at any time prior to the Effective Time, with such termination being effective upon the provision of written notice to the other Party.

12. Portals Division. Immediately after the Effective Time, the business operated by Portals immediately prior to the Effective Time shall be operated as a division of Pacific Clinics (the "Portals Division"). For so long as the Portals Division remains financially viable and operational, (a) Pacific Clinics will continue to maintain Portals' service area, programs and facilities (as such exist immediately prior to the Effective Time that are listed in Schedule 12) with the name, and held out to the public as, "Portals – A Division of Pacific Clinics" (the "Portals Name"), (b) the Portals Division shall prepare and maintain separate financial reports on its operations; provided, however, after the expiration of the one (1) year period immediately following the Effective Time, such reports shall be in the same format as any other division of Pacific Clinics, (c) Pacific Clinics will only use the Portals Name for program expansion in the areas of social rehabilitation, employment and housing consistent with Portals' service programs in existence immediately prior to the Effective Time and those areas identified by Pacific Clinics

as being beneficial to Pacific Clinics and the Portals Division (collectively, "Portals Programs"), and (d) Pacific Clinics will establish and maintain an advisory board to be named the Portals Advisory Board, consisting of the supporters and/or former board members of Portals and Pacific Clinics, which shall provide advice and guidance regarding the operations of the Portals Division to the President and Executive Vice President of Pacific Clinics. After the Effective Time, Pacific Clinics will utilize Portals' brand name "Turn a life around." only in connection with Portals Programs. From the Effective Time until the first (1st) anniversary of the Effective Time (the "Initial Period"), the assets held by Portals immediately prior to the Effective Time shall be exclusively used for the benefit of Portals Programs, except upon an affirmative vote of the Board of the Directors with respect to a Special Matter (as defined in Pacific Clinic's Bylaws) in accordance with Article V, Section 7 of such Bylaws. After the expiration of the Initial Period, the assets held by Portals immediately prior to the Effective Time shall be utilized in the best interest of Pacific Clinics' clients and programs as determined by Pacific Clinics' Board of Directors and senior management, consistent with the terms of Pacific Clinics' Articles of Incorporation and Bylaws and all applicable laws and restrictions.

13. Future Contributions to Portals. Pacific Clinics shall utilize (i) any funds received as contributions after the Effective Time which are specified to support Portals programs and (ii) any funds received as contributions before the Effective Time which were specified to support Portals Programs, for use in the Portals Division, including facilities used in the operation of the Portals Division. After the Effective Time, Pacific Clinics shall honor and abide by the restrictions on any contributed gift restricted to use by the Portals Division in accordance with charitable fundraising guidelines.

14. Portals Foundation. The Parties recognize and acknowledge that (a) Portals Foundation is a California nonprofit corporation (and a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended) which is an organization separate from, and independent of, Portals, (b) Portals Foundation is not a party to the Merger Agreement and (c) subject to the terms of the Portals Foundation Agreement, Portals Foundation will be independent of Pacific Clinics as of the Effective Time.

15. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California.

16. Headings. The section and other headings contained in this Agreement are included for the purpose of convenient reference only and shall not restrict, amplify, modify or otherwise affect in any way the meaning or interpretation of this Agreement.

17. Fair Meaning. This Agreement shall be construed according to its fair meaning and as if prepared by all Parties hereto.

18. Gender and Number; Construction. All references to the neuter gender shall include the feminine or masculine gender and vice versa, where applicable, and all references to the singular shall include the plural and vice versa, where applicable. Unless otherwise expressly provided, the word "including" followed by a listing does not limit the preceding words or terms and shall mean "including, without limitation."

19. Third Party Beneficiary. None of the provisions contained in this Agreement are intended by the Parties, nor shall they be deemed, to confer any benefit on any person not a party to this Agreement.

20. Expenses. Each Party shall bear and pay its own costs and expenses relating to the preparation of this Agreement and to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, this Agreement, including without limitation, the disbursements and fees of their respective attorneys, accountants, advisors, agents and other representatives, incidental to the preparation and carrying out of this Agreement, whether or not the transactions contemplated hereby are consummated.

21. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement, binding on all of the parties hereto.

22. Entire Agreement. This Agreement, the exhibits and schedules, and the documents referred to in this Agreement contain the entire understanding between the Parties with respect to the transactions contemplated hereby and supersede all prior or contemporaneous agreements, understandings, representations and statements, oral or written, between the parties on the subject matter hereof (the "Superseded Agreements"), which Superseded Agreements shall be of no further force or effect.

23. No Waiver. Any term, covenant or condition of this Agreement may be waived at any time by the Party which is entitled to the benefit thereof but only by a written notice signed by the Party expressly waiving such term or condition. The subsequent acceptance of performance hereunder by a Party shall not be deemed to be a waiver of any preceding breach by any other Party of any term, covenant or condition of this Agreement, other than the failure of such other Party to perform the particular duties so accepted, regardless of the accepting Party's knowledge of such preceding breach at the time of acceptance of such performance. The waiver of any term, covenant or condition shall not be construed as a waiver of any other term, covenant or condition of this Agreement.

24. Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any Party or circumstance shall be held to be invalid or unenforceable to any extent in any jurisdiction, then the remainder of this Agreement and the application of such term, provision, condition or covenant in any other jurisdiction or to persons or circumstances other than those as to whom or which it is held to be invalid or unenforceable, shall not be affected thereby, and each term, provision, condition and covenant of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

25. Confidentiality and Publicity. The parties hereto shall hold in confidence the information contained in this Agreement, and all information related to this Agreement, which is not otherwise known to the public, shall be held by each party hereto as confidential and proprietary information and shall not be disclosed without the prior written consent of the other parties. Accordingly, Pacific Clinics and Portals shall not discuss with, or provide nonpublic information to, any third party (except for such party's attorneys, accountants, directors, officers and employees, the directors, officers and employees of any affiliate of any party hereto, and

other consultants and professional advisors) concerning this transaction prior to the Effective Time, except: (a) as required in governmental filings or judicial, administrative or arbitration proceedings; or (b) pursuant to a joint public announcement made with the prior written approval of Pacific Clinics and Portals.

26. Notices. Unless otherwise provided in this Agreement, all notices required under this Agreement shall be in writing and shall be effective for all purposes upon receipt by either a party or such party's counsel as set forth in this Section, including without limitation, in the case of (i) personal delivery, (ii) delivery by messenger, express or air courier or similar courier, (iii) delivery by United States first class certified or registered mail, postage prepaid or (iv) confirmed transmittal by telecopier or facsimile, addressed as follows:

To Pacific Clinics:	Pacific Clinics 800 S. Santa Anita Avenue Arcadia, California 91006 Attention: Susan Mandel Facsimile: (626)-294-1078
With a copy to:	McDermott Will & Emery LLP 2049 Century Park East, Suite 3400 Los Angeles, California 90067 Attention: Paul F. Lawrence Facsimile: (310)-551-9329
To Portals:	Portals Mental Health Rehabilitation Services 679 S. New Hampshire Avenue, 5th Floor Los Angeles, California 90005 Attention: James J. Balla Facsimile: (213) 738-7603
With a copy to:	Sonnenschein Nath & Rosenthal LLP 601 South Figueroa Street, Suite 1500 Los Angeles, California 90017 Attention: James L. Hsu Facsimile: (213) 623-9924

Either party may change its address by written notice to the other party in the manner set forth above. Receipt of communications by United States first class certified or registered mail will be sufficiently evidenced by return receipt, and receipt of communications transmitted by telecopier or facsimile, shall be deemed to have been received upon transmission, provided that such notice is also sent by overnight express courier for delivery on the following day. To the extent feasible, in the case of illegible or otherwise unreadable facsimile transmissions, the receiving party shall promptly notify the transmitting party of any transmission problem and the transmitting party shall promptly resend any affected pages.

27. Amendments. This Agreement may be amended only in a writing signed and acknowledged by the Party against whom such amendment is sought to be enforced.

28. Waiver of Personal Liability. No trustee, director, officer, agent, or employee of either Pacific Clinics or Portals or their respective affiliates shall be individually or personally liable for the obligations of either Portals or Pacific Clinics, as the case may be, hereunder or subject to personal liability or accountability by reason of approval, execution or delivery of this Agreement.

[REMAINDER OF PAGE IS BLANK]

IN WITNESS WHEREOF, each of the Parties hereto, pursuant to authority duly granted by its respective Board of Directors, has caused this Agreement and Plan of Merger to be executed as of the date first set forth above.

By: Portals House, a California nonprofit corporation

James J. Balla, President and CEO

Richard Dominguez, Board Chair

By: Pacific Clinics, a California nonprofit corporation

Susan Mandel, President and CEO

ATTACHMENT II

CONTRACT NO. MH 120144

AMENDMENT NO. ___

THIS AMENDMENT is made and entered into this ___ day of _____, 2007 by and between the COUNTY OF LOS ANGELES (hereafter "County") and Pacific Clinics (hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written Agreement, dated _____, identified as County Agreement No. MH-120144 (hereafter "Agreement"); and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend Agreement only as described hereunder; and

WHEREAS, effective no sooner than July 1, 2007 (the currently anticipated merger effective date), the purpose of this Amendment shall be interpreted according to the following statement of purpose: It is intended to effectuate and implement the merger of **Portals House (Portals) and Pacific Clinics** as requested by these entities; whereby Portals will cease to exist as a separate entity and will be merged within the surviving entity, Pacific Clinics. County consents to the merger with the understanding, as set forth herein, that the quantity and quality of services previously provided separately by Portals will not be diminished and that the new entity will be fiscally responsible for all of Portals obligations, past, present, and future. In particular, and without in any way limiting the scope of the financial obligations assumed, Pacific Clinics understands and agrees: (1) that it will be entirely responsible for any and all audit exceptions applied at any time against the previous entity, Portals, through any of

its agreements with County or any department thereof, whether assessed by Federal, State, or County audit(s); and (2) that these audit exceptions may arise and become payable before and after the effective date of the merger and the cessation of existence of Portals. The parties agree that all applicable review and dispute resolution procedures under the contract at issue shall apply; and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend the Agreement to reflect the address of the merged Pacific Clinics administrative headquarters as: **800 S. Santa Anita Avenue, Arcadia, CA 91006**; and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend the Agreement to add the following new service site: PC Portals CalWORKs SA 4, located at: 2500 Wilshire Blvd, Suite 430, Los Angeles, CA 90057 under Provider Number (PN) TBA; and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend the Agreement to add the following services to the service site located at: 2500 Wilshire Blvd, Suite 430, Los Angeles, CA 90057 under **PN TBA**: Targeted Case Management (Mode 15, SFCs 01-09) at a rate of $1.91; Mental Health Services (Mode 15, SFCs 10-19/30-59) at a rate of $2.47; Medication Support (Mode 15, SFCs 60-69) at a rate of $4.56; Crisis Intervention (Mode 15, SFCs 70-79) at a rate of $3.67; Mental Health Promotion (Mode 45, SFCs 10-19) at a rate of $60.00; and Community Client Services (Mode 45, SFCs 20-29) at a rate of $60.00; and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend the Agreement to add the following new service site: PC Portals

Wilshire, located at: 2500 Wilshire Blvd., Suite 500, Los Angeles, CA 90057 under **PN TBA**; and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend the Agreement to add the following services to the service site located at: 2500 Wilshire Blvd., Suite 500, Los Angeles, CA 90057 under **PN TBA**: Targeted Case Management (Mode 15, SFCs 01-09) at a rate of $1.91; Mental Health Services (Mode 15, SFCs 10-19/30-59) at a rate of $2.47; Medication Support (Mode 15, SFCs 60-69) at a rate of $4.56; Crisis Intervention (Mode 15, SFCs 70-79) at a rate of $3.67; Mental Health Promotion (Mode 45, SFCs 10-19) at a rate of $60.00; Community Client Services (Mode 45, SFCs 20-29) at a rate of $60.00 and Client Supportive Services (Mode 60, SFC 60-64); and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend the Agreement to add the following new service site: PC Portals Mariposa Clubhouse, located at: 269 S. Mariposa Avenue, Los Angeles, CA 90004 under **PN TBA**; and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend the Agreement to add the following services to the service site located at: 269 S. Mariposa Avenue, Los Angeles, CA 90004 under **PN TBA**: Targeted Case Management (Mode 15, SFCs 01-09) at a rate of $1.91; Mental Health Services (Mode 15, SFCs 10-19/30-59) at a rate of $2.47; Medication Support (Mode 15, SFCs 60-69) at a rate of $4.56; Crisis Intervention (Mode 15, SFCs 70-79) at a rate of $3.67; Mental Health Promotion (Mode 45, SFCs 10-19) at a rate of $60.00; Community Client

Services (Mode 45, SFCs 20-29) at a rate of $60.00, and Client Supportive Services (Mode 60, SFCs 60-64); and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend the Agreement to add the following new service site: PC Portals Twin Peaks Residential, located at: 255 S. Mariposa Avenue, Los Angeles, CA 90004 under **PN TBA**; and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend the Agreement to add the following services to the service site located at: 255 S. Mariposa Avenue, Los Angeles, CA 90004 under **PN TBA**: Adult Residential (Mode 05, SFCs 65-79) at a rate of $140.44 and Medication Support (Mode 15, SFCs 60-69) at a rate of $4.56; and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend the Agreement to add the following new service site: PC Portals AB2034, located at: 3875 S. Western Avenue, Los Angeles, CA 90062 under **PN TBA**; and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend the Agreement to add the following services to the service site located at: 3875 S. Western Avenue, Los Angeles, CA 90062 under **PN TBA**: Targeted Case Management (Mode 15, SFCs 01-09) at a rate of $1.91; Mental Health Services (Mode 15, SFCs 10-19/30-59) at a rate of $2.47; Medication Support (Mode 15, SFCs 60-69) at a rate of $4.56; Crisis Intervention (Mode 15, SFCs 70-79) at a rate of $3.67; Mental Health Promotion (Mode 45, SFCs 10-19) at a rate of $60.00; Community Client

Services (Mode 45, SFCs 20-29) at a rate of $60.00 and Client Supportive Services (Mode 60, SFCs 60-64); and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend the Agreement to add the following new service site: PC Portals Rampart, located at: 238 S. Rampart Avenue, Los Angeles, CA 90057 under **PN TBA**; and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend the Agreement to add the following services at the service site located at: 238 S. Rampart Avenue, Los Angeles, CA 90057 under **PN TBA**: Adult Residential (Mode 05, SFCs 65-79) at a rate of $140.44 and Medication Support (Mode 15, SFCs 60-69) at a rate of $4.56; and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend the Agreement to add the following new service site: PC Portals Community Connections, located at: 3881 S. Western Avenue, Los Angeles, CA 90062 under **PN TBA**; and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend the Agreement to add the following services to the service site located at: 3881 S. Western Avenue, Los Angeles, CA 90062 under **PN TBA**: Targeted Case Management (Mode 15, SFCs 01-09) at a rate of $1.91; Mental Health Services (Mode 15, SFCs 10-19/30-59) at a rate of $2.47; Medication Support (Mode 15, SFCs 60-69) at a rate of $4.56; Crisis Intervention (Mode 15, SFCs 70-79) at a rate of $3.67; Mental Health Promotion (Mode 45, SFCs 10-19) at a rate of $60.00; Community Client

Services (Mode 45, SFCs 20-29) at a rate of $60.00 and Client Supportive Services (Mode 60, SFCs 60-64); and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend Agreement to add the service delivery sites from Portals to Pacific Clinics; and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, the Maximum Contract Amount (MCA) will be revised to $_____, which includes a combined 12-month MCA for Pacific Clinics and Portals for each fiscal; and

WHEREAS, for Fiscal Years 2007-08 and 2008-09, County and Contractor intend to amend Agreement to add additional contract language in reference to Paragraph 27 (DELEGATION AND ASSIGNMENT BY CONTRACTOR).

NOW, THEREFORE, County and Contractor agree that Agreement shall be amended only as follows:

1. Paragraph 4 (FINANCIAL PROVISIONS), Subparagraphs B (Reimbursement For Initial Period) and C (Reimbursement If Agreement is Automatically Renewed) shall be deleted in their entirety and the following substituted therefor:

"B. Reimbursement For Initial Period: The Maximum Contract Amount for the Initial Period of this Agreement as described in Paragraph 1 (TERM) shall not exceed _____ DOLLARS ($_____) and shall consist of County, State, and/or Federal funds as shown on the Financial Summary.

"C. Reimbursement If Agreement Is Automatically Renewed:

(1) Reimbursement For First Automatic Renewal Period: The Maximum Contract Amount for the First automatic Renewal Period of this

Agreement as described in Paragraph 1 (TERM) shall not exceed _____ DOLLARS ($_____) and shall consist of County, State, and/or Federal funds as shown on the Financial Summary".

2. Paragraph 4 (FINANCIAL PROVISIONS), Subparagraph K (Cash Flow Advance In Expectation of Services/Activities To Be Rendered), Section 8, Subsections a and b shall be deleted in their entirety and the following substituted therefor:

K. Cash Flow Advance In Expectation of Services/Activities To Be Rendered:

(8) Business Rules for the Determination of the Maximum Amount of the Cash Flow Advance Request:

(a) Each month of each fiscal year not to exceed three (3) consecutive months, or portion thereof, that this Agreement is in effect, Contractor may request, separately for each month, in writing from County a monthly County General Fund Cash Flow Advance for any funds which may be part of the Maximum Contract Amount for such fiscal year as identified on the Financial Summary Page. Contractor shall specify in their request the amount of the monthly Cash Flow Advance not to exceed $_____ per month and the total Cash Flow Advance for the three (3) months shall not exceed $_____. The Cash Flow Advance monthly amount is 1/12th of Maximum Contract Amount as identified on the Financial Summary Page, annualized Maximum Contract Amount if a partial year.

(b) A Contractor providing EPSDT Short-Doyle/Medi-Cal services as part of this Agreement, may for two (2) additional consecutive months, or portion thereof, that this Agreement is in effect, request, separately for each month, in writing from County a monthly County General Fund Cash Flow Advance for any

EPSDT Title XIX Medi-Cal funds which may be part of the Maximum Contract Amount for such fiscal year as shown on the Financial Summary Page. Contractor shall specify in their request the amount of the monthly Cash Flow Advance not to exceed $_____ per month for each of the two (2) additional consecutive months and the total Cash Flow Advance for the two (2) additional consecutive months shall not exceed $_____.

3. Subparagraph D. shall be added to Paragraph 27 (DELEGATION AND ASSIGNMENT BY CONTRACTOR):

   "D. Consistent with the "Agreement of Merger" between Contractor and Portals, Contractor shall assume all past, present and future financial responsibilities and obligations of Portals due to County arising under Portals Legal Entity (LE) Agreement No. MH-120145 and any prior LE Agreements, including those arising as a consequence of Cost Report Settlements, audit exceptions and other debts, in the same manner as if Contractor (Pacific Clinics) had itself incurred them; and all rights of County on such aforementioned obligations and liabilities arising under such LE Agreements shall be preserved unimpaired."

4. Financial Summary – for Fiscal Year 2007-08 shall be deleted in its entirety and replaced with Financial Summary -1 for Fiscal Year 2007-08, attached hereto and incorporated herein by reference. All references in Agreement to Financial Summary – for Fiscal Year 2007-08 shall be deemed amended to state "Financial Summary - 1 for Fiscal Year 2007-08."

5. Financial Summary – for Fiscal Year 2008-09 shall be deleted in its entirety and replaced with Financial Summary -1 for Fiscal Year 2008-09, attached hereto

and incorporated herein by reference. All references in Agreement to Financial Summary – for Fiscal Year 2008-09 shall be deemed amended to state "Financial Summary - 1 for Fiscal Year 2008-09."

6. Service Delivery Site Exhibit Attachment shall be deleted in its entirety and replaced with merged Service Delivery Site Exhibit Attachment I, attached hereto and incorporated herein by reference.

7. Contractor shall provide services in accordance with the Contractor's Fiscal Year 2007-08 Negotiation Package for this Agreement and any addenda thereto approved in writing by Director.

8. Except as provided in this Amendment, all other terms and conditions of the Agreement shall remain in full force and effect.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by County's Director of Mental Health or his designee, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

APPROVED AS TO FORM:
OFFICE OF THE COUNTY COUNSEL

By _____
Deputy County Counsel

COUNTY OF LOS ANGELES

By _____
MARVIN J. SOUTHARD, D.S.W.
Director of Mental Health

Pacific Clinics

By _____

Name _____

Title _____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO CONTRACT ADMINISTRATION:

DEPARTMENT OF MENTAL HEALTH

By _____
Chief, Contracts Development
and Administration Division

PC merger Amend1 07-08

Contractor Name:
Legal Entity Number:
Agreement Period:
Fiscal Year:

DMH Legal Entity Agreement
Attachment II
The Financial Summary -
Amendment No.

	COLUMNS	1	2	3	4	5	6
			Sum of 2 + 3 + 4 + 5+ 6 = 1				
LINE #	DESCRIPTION	MAXIMUM CONTRACT ALLOCATION TOTALS	LOCAL MHP NON MEDI-CAL	DCFS STOP SGF 70% County Local 30%	MAA and NON-EPSDT MEDI-CAL PROGRAMS FFP 50% County Local 50%	EPSDT MEDI-CAL PROGRAM FFP 50% SGF - EPSDT 42.68% County Local 7.32%	HEALTHY FAMILIES FFP 65% County Local 35%
				Categorical Restricted CGF	Local Match share for claiming Certified Public Expenditure Categorically Restricted Local Funds** (see footnote)		
1	**A. Contractual Limitation By Responsible Financial Party:**						
2	CGF*	$ -		-	-	-	-
3	CGF - Psychiatric Emergency Services (PES) (NCC)	-					
4	CGF - Transitional Residential Program (NCC)	-					
5	SAMHSA, CFDA #93.958	-					
6	SAMHSA - Child Mental Health Initiative, CFDA #93.104	-					
7	SAMHSA - Targeted Capacity Expansion, CFDA #93.243	-					
8	PATH, CFDA #93.150	-					
9	CalWORKs - Flex Fund	-					
10	CalWORKs - Mental Health Services (MHS)	-					
11	CalWORKs - Community Outreach Services (COS)	-					
12	CalWORKs - Families Project - Client Support Services	-					
13	CalWORKs - Families Project - MHS & Targeted Case Management	-					
14	CalWORKs - Families Project - COS	-					
15	DPSS - GROW	-					
16	DCFS AB 2994	-					
17	DCFS Family Preservation	-					
18	DCFS Star View Life Support PHF	-					
19	DCFS Independent Living	-					
20	DCFS STOP (70%)	-		-			
21	DCFS Medical Hubs	-					
22	DCFS Basic MH Services Enhanced Specialized Foster Care	-					
23	DCFS Intensive In-Home Enhanced Specialized Foster Care	-					
24	DCFS - Multidisciplinary Assessment and Treatment (MAT)	-					
25	Probation - Mentally Ill Offender Crime Reduction Program (MIOCR)	-					
26	Schiff-Cardenas - M.H. Screening, Assessment, and Treatment (MHSAT)	-					
27	Schiff-Cardenas - Multi-Systemic Therapy Program (MST)	-					
28	Sheriff Dept - Mentally Ill Offender Crime Reduction Program (MIOCR)	-					
29	AB 34/AB 2034	-					
30	ADPA AB 34/AB 2034 Housing	-					
31	DHS-OAPP HIV/AIDS	-					
32	DHS Dual Diagnosis	-					
33	DHS Social Model Recovery	-					
34	DHS LAMP	-					
35	HIV AIDS	-					
36	IDEA (AB 3632 - SEP), CFDA #84.027	-					
37	SB 90 (AB 3632 - SEP)	-					
38	AB3632 - SEP (SB 1807)	-					
39	Mental Health Services Act (MHSA)	-					
40	Mental Health Services Act (MHSA) - Plan I:						
41	A. Child						
42	One Time Cost	-					
43	Client Supportive Services (Flex Funds)	-					
44	Mental Health Services	-					
45	B. TAY						
46	One Time Cost	-					
47	Client Supportive Services (Flex Funds)	-					
48	Mental Health Services	-					
49	C. Adult						
50	One Time Cost	-					
51	Client Supportive Services (Flex Funds)	-					
52	Mental Health Services	-					
53	D. Older Adult						
54	One Time Cost	-					
55	Client Supportive Services (Flex Funds)	-					
56	Mental Health Services	-					

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				Categorical Restricted CGF	Local Match share for claiming Certified Public Expenditure Categorically Restricted Local Funds** (see footnote)		
57	Mental Health Services Act (MHSA) - Plan II						
58	A. Child						
59	Integrated MH/COD Services	-					
60	Family Crisis Services - Respite Care	-					
61	One Time Cost	-					
62	B. TAY						
63	Drop-In Centers	-					
64	Probation Camps	-					
65	One Time Cost	-					
66	C. Adult						
67	Wellness Centers - Non Client Run	-					
68	Wellness Centers - Client Run	-					
69	IMD Step Down	-					
70	Safe Haven	-					
71	One Time Cost	-					
72	D. Older Adult						
73	Field Capable Clinical Services						
74	One Time Cost	-					
75	Client Supportive Services (Flex Funds)	-					
76	Mental Health Services	-					
77	Older Adult Service Extenders	-					
78	Older Adult Training	-					
79	One Time Cost	-					
80	E. Cross-Cutting						
81	Urgent Care	-					
82	Enriched Residential Services	-					
83	One Time Cost	-					
84	Mental Health Services Act (MHSA) - Plan III	-					
85	Mental Health Services Act (MHSA) - AB 2034 Services	-					
86	Medi-Cal, Healthy Families, or MAA FFP	-			-	-	-
87	SGF - EPSDT	-				-	
88	***Maximum Contract Amount (A)***	$ -	-				
89	**B. Third Party:**						
90	Medicare	-					
91	Patient Fees	-					
92	Insurance	-					
93	Other	-					
		-					
94	***Total Third Party (B)***	-	-	-	-	-	-
95	**GROSS PROGRAM BUDGET (A+B)**	$ -	-	-	-	-	-

Footnote

* The Department is developing the parameters for authorizing the shift of CGF among the various programs identified in columns 2, 3, 4, 5, and 6. These parameters will be incorporated by a separate contract amendment during the year.

** These Local Funds are restricted in compliance with specific statutory, regulatory, and contractual requirements and obligations that are conditions for Medi-Cal reimbursement of Short-Doyle Medi-Cal claims. California Code of Regulations Title 9, Division 1, Chapter 11, Subchapter 4, Article 1, paragraph 1840.112 MHP Claims Certification and Program Integrity and Federal Code of Regulations, Title 42, Section 438.608.

Revised: 5/10/07

Contractor Name:
Legal Entity No.:
Agreement Period:
Fiscal Year:

DMH Legal Entity Agreement
The Rate Summary
Amendment No.

MENTAL HEALTH SERVICES		Mode of Service	Service Function Code (SFC) Range	Provisional Rates Negotiated NR	Provisional Rates Cost Reimb. CR	Provider Numbers
A. 24 HOUR SERVICES						
Hospital Inpatient		05	10 - 18			
Hospital Administrative Day		05	19			
Psychiatric Health Facility (PHF)		05	20 - 29			
SNF Intensive		05	30 - 34			
IMD/STP Basic (No Patch)	Beds 1-59	05	35			
	Beds 60 & over	05	35			
Patch for IMD		05	36 - 39			
Mentally Ill Offenders	Regular	05	36 - 39			
	Indigent	05	36 - 39			
IMD - Like		05	36 - 39			
IMD (w/Patch) Sub-Acute (60 days)		05	38			
Adult Crisis Residential		05	40 - 49			
Residential Other		05	60 - 64			
Adult Residential		05	65 - 79			
Semi - Supervised Living		05	80 - 84			
Independent Living		05	85 - 89			
MH Rehab Centers		05	90 - 94			
B. DAY SERVICES						
Vocational Services		10	30 - 39			
Socialization		10	40 - 49			
SNF Augmentation		10	60 - 69			
Day Treatment Intensive: Half Day		10	81 - 84			
Day Treatment Intensive: Full Day		10	85 - 89			
Day Rehabilitative: Half Day		10	91 - 94			
Day Rehabilitative: Full Day		10	95 - 99			
C. OUTPATIENT SERVICES						
Targeted Case Management Services (TCMS), formerly Case Management Brokerage		15	01 - 09			
Mental Health Services		15	10 - 19/ 30 - 59			
Therapeutic Behavioral Services (TBS)		15	58			
Medication Support		15	60 - 69			
Crisis Intervention		15	70 - 79			
D. OUTREACH SERVICES						
Mental Health Promotion		45	10 - 19			
Community Client Services		45	20 - 29			
E. SUPPORT SERVICES						
Life Support/Board & Care		60	40 - 49			
Case Management Support		60	60 - 69			
Client Supportive Services (Cost Reimbursement)		60	64 70 - 79			
F. Medi-Cal Administrative Activities (MAA)						
MAA		55	01 - 35			

DMH Amendment Summary

LEGAL ENTITY NAME:_____

Contract No.:_____ Legal Entity No.: _____ Amendment No. _____

LIST OF FUNDING SOURCES
(Please check all applicable funding for Amendment only.)

1	CGF	
2	CGF - Psychiatric Emergency Services (PES) (NCC)	
3	CGF – Transitional Residential Program (NCC)	
4	SAMHSA, CFDA #93.958	
5	SAMHSA – Child Mental Health Initiative, CFDA #93.104	
6	SAMHSA – Targeted Capacity Expansion, CFDA #93.243	
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19	DCFS STOP (70%)	
20	DCFS Medical Hubs	
21	DCFS Basic MH Services Enhanced Specialized Foster Care	
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25	Schiff-Cardenas – M.H. Screening, Assessment, and Treatment (MHSAT)	
26	Schiff-Cardenas – Multi-Systemic Therapy Program (MST)	
27	Sheriff Dept – Mentally Ill Offender Crime Reduction Program (MIOCR)	
28	AB 34/AB 2034	
29	ADPA AB 34/AB 2034 Housing	
30	DHS-OAPP HIV/AIDS	
31	DHS Dual Diagnosis	

39	MHSA – Plan I - Child – One Time Cost	
40	MHSA – Plan I - Child – Client Supportive Services (Flex Funds)	
41	MHSA – Plan I - Child – Mental Health Services	
42	MHSA – Plan I - TAY – One Time Cost	
43	MHSA – Plan I - TAY – Client Supportive Services (Flex Funds)	
44	MHSA – Plan I - TAY – Mental Health Services	
45	MHSA – Plan I - Adult – One Time Cost	
46	MHSA – Plan I - Adult – Client Flex Funds Supportive Services (Flex Funds)	
47	MHSA – Plan I - Adult – Mental Health Services	
48	MHSA – Plan I - Older Adult – One Time Cost	
49	MHSA – Plan I - Older Adult - Client Supportive Services (Flex Funds)	
50	MHSA – Plan I - Older Adult - Mental Health Services	
51	MHSA – Plan II - Child – Integrated MH/COD Services	
52	MHSA – Plan II – Child - Family Crisis Services – Respite Care	
53	MHSA – Plan II – Child - One Time Cost	
54	MHSA – Plan II – TAY –Drop-In Centers	
55	MHSA – Plan II – TAY – Probation Camps	
56	MHSA – Plan II – TAY – One Time Cost	
57	MHSA – Plan II – Adult – Wellness Centers-Non Client run	
58	MHSA – Plan II – Adult – Wellness Centers-Client run	
59	MHSA – Plan II – Adult - IMD Step Down	
60	MHSA – Plan II – Adult – Safe Haven	
61	MHSA – Plan II – Adult – One Time Cost	
62	MHSA – Plan II – Older Adult – Field Capable Clinical Services	
63	MHSA – Plan II – Older Adult – FCCS – One Time Cost	
64	MHSA – Plan II – Older Adult – FCCS – Client Supportive Services (Flex Funds)	
65	MHSA – Plan II – Older Adult – FCCS – Mental Health Services	
66	MHSA – Plan II – Older Adult – Older Adult Service Extenders	
67	MHSA – Plan II – Older Adult – Older Adult Training	
68	MHSA – Plan II – Older Adult – One Time Cost	
69	MHSA – Plan II – Cross-Cutting – Urgent Care	

DMH Amendment Summary

LEGAL ENTITY NAME:_____

Contract No.:_____ Legal Entity No.: _____ Amendment No. _____

32	DHS Social Model Recovery	
33	DHS LAMP	
34	HIV AIDS	
35	IDEA (AB 3632 – SEP), CFDA #84.027	
36	SB 90 (AB 3632 – SEP)	
37	AB3632 – SEP (SB 1807)	
38	Mental Health Services Act (MHSA)	

70	MHSA – Plan II – Cross-Cutting – Enriched Residential Services	
71	MHSA – Plan II – Cross-Cutting – One Time Cost	
72	Mental Health Service Act (MHSA) – Plan III	
73	Mental Health Services Act (MHSA) – AB 2034 Services	
74	Medi-Cal, Healthy Families, or MAA FFP	
75	SGF - EPSDT	

FUNDING SOURCE(S) (Select from Funding Sources listed above for Amendment.)

(See Financial Summary(ies) for funding details to MCA.)

AMOUNT Increase/Decrease	**FISCAL YEAR**	**MCA**

AMENDMENT ACTION(S): **BOARD ADOPTED DATE:** _____ **EFFECTIVE DATE:**_____

New Headquarters' (HQ) Address: _____ HQ Sup. District: _____

_____ Service Area(s): _____

ADD OR DELETE SERVICE SITE(S):

Name	Address	Sup. Dist.	Svc. Area(s)	Prov. No.

Deputy Director:_____ Lead Manager: _____.

Revised: FY 06-07 Agreement Summary 5-08-07